

D1BAF2402 (S1)

Name:

Reg. No.:

FIRST SEMESTER FYUGP EXAMINATION NOVEMBER 2025**Improvement/Supplementary (2024 Admissions)****MINOR****AFA1MN112: FUNDAMENTALS OF INVESTMENT****Time: 2 Hrs.****Maximum Marks: 70**

M: Mark

BL - Bloom's Taxonomy Level (1 to 6)

CO: Course Outcome

Section A: Answer all questions. Each carries 3 marks.**Ceiling: 24 Marks**

No.	Question	M	BL	CO
1.	Define securities.	3	1	CO1
2.	This risk cannot be diversified away and affects all securities in the market. Define the above risk.	3	1	CO1
3.	Comment on total risk.	3	1	CO2
4.	A firm pays a dividend of 20% on the equity shares of face value of Rs 100 each. Find out the value of the equity share given that the dividend rate is expected to remain same and the required rate of return of the investors is 15%	3	3	CO2 CO3
5.	What is the terminal value in a DDM?	3	1	CO1 CO2
6.	Can you use intrinsic value to predict future stock prices?	3	2	CO1 CO2
7.	What are the characteristics of bond?	3	1	CO2
8.	Define the following 1) Perpetual bonds 2) Amortizing bonds 3) Floating bonds	3	1	CO2
9.	Define the price-yield relationship of bonds.	3	1	CO2
10.	What is nominal yield?	3	1	CO1

Section B: Answer all questions. Each carries 6 marks.**Ceiling: 36 Marks**

No.	Question	M	BL	CO												
11.	What are convertible and hybrid securities? Explain how they differ from traditional fixed income and equity securities in terms of risk and marketability	6	4	CO3												
12.	Explain the key features of gold as an investment compared to exchange-traded funds (ETFs). How do they serve different investor needs in terms of marketability and security?	6	5	CO2 CO3												
13.	Calculate the expected return from the following state of the economy <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td>Prob</td> <td>R</td> </tr> <tr> <td>A</td> <td>.20</td> <td>-10%</td> </tr> <tr> <td>B</td> <td>.35</td> <td>20%</td> </tr> <tr> <td>C</td> <td>.45</td> <td>5%</td> </tr> </table>		Prob	R	A	.20	-10%	B	.35	20%	C	.45	5%	6	3	CO2 CO4
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14.	Explain how standard deviation is used to measure the risk of a portfolio. How does diversification affect portfolio risk?	6	2	CO3
15.	A portfolio has possible returns of-10%, 5%, 10% and 25% with the probabilities of 1, 2, 3 and 4. Find out the expected return of the portfolio and standard deviation of the returns.	6	4	CO2 CO3
16.	State the prevalence of terminal and intrinsic value with an example.	6	4	CO3
17.	Elucidate the factors influencing bond rating.	6	4	CO3 CO4
18.	A 10% coupon bond has ten years to maturity and Rs. 1,000 face value. If the required rate of return for this bond is 10%, how much does this bond sell for?	6	3	CO3 CO4

Section C: Answer any one question. Each carries 10 marks. (1 x 10 = 10 Marks)

No.	Question	M	BL	CO
19.	<p>Anjali Verma, a seasoned professional with a stable income, has accumulated substantial savings amounting to ₹500,000. As she contemplates investing this capital, she is keen to understand the legal framework governing the Indian securities market. Anjali is also aware that various factors influence investment decisions, including economic conditions, personal financial goals, risk tolerance, and market sentiment. Recently, Anjali encountered a situation where a company she was considering investing in faced allegations of financial misreporting, raising concerns about its governance and compliance. This scenario prompted her to rethink her investment strategy and consider how regulations and external factors could impact her decisions</p> <p>a) Identify the key regulatory bodies and laws that govern securities trading. How do these regulations safeguard investors, particularly in scenarios involving corporate misconduct, such as financial misreporting? (3 marks)</p> <p>b) Discuss at least three specific factors that may influence Anjali's investment decisions in light of the recent allegations against the company. (4 marks)</p> <p>c) Based on your understanding of the legal framework and the influencing factors, recommend a comprehensive investment strategy for Anjali. How should she navigate the current situation with the company in question, and what steps should she take to mitigate risk while pursuing her financial goals? (3 marks)</p>	10	4	CO3 CO4
20.	<p>a) ABC Ltd. is currently paying dividend of 1 and it is expected to grow at 7% p.a. infinitely. What is the value if:</p> <p>(i) The equity capitalization rate is 15%,</p> <p>(ii) The equity capitalization rate is 16%,</p> <p>(iii) The growth rate is 8% instead of 7%</p> <p>(iv) The equity capitalization rate is 16% and the growth rate is 4%. (5 Marks)</p> <p>b) What are the drawbacks of relying solely on the dividend discount model for valuation? (5 marks)</p>	10	5	CO3 CO4