D5BCH2304 (PAGES: 3) **Reg. No..............................**

Name: ....

FIFTH SEMESTER UG DEGREE EXAMINATION, NOVEMBER 2025

(Regular/Improvement/Supplementary)

B.Com. HONOURS

GBCH5E01T: FUNDAMENTALS OF INVESTMENT

Time: 3 hours **Maximum Marks: 80**

Part A: Answer *all* the questions. Each question carries *one* mark.

Choose the correct answer.

1. Which of the following is a source of financial information for investors?
   a) Government press releases c) Weather forecasts
   b) Stock exchange websites d) Entertainment news
2. A bond selling at a premium has a market price that is:
   a) Below its face value c) Equal to its face value
   b) Above its face value d) Not influenced by face value
3. The P/E ratio model evaluates a stock by comparing its price to its:
   a) Earnings per share (EPS) c) Book value
   b) Dividend yield d) Market capitalization
4. Portfolio risk is primarily reduced through:
   a) Investing in high-risk assets c) Concentrating investments in one sector
   b) Diversification of investments d) Investing in a single asset class
5. A forward contract is:
   a) Traded on an exchange. c) A customized contract between two parties.
   b) A standardized contract. d) Always settled in cash.
6. The ______ of the share is measured through the book value of the share and price earnings ratio.
7. The ________ is a valuation metric comparing a company's stock price to its earnings per share.
8. ________ are expected to exhibit above-average earnings growth rates.
9. A ________ gives the holder the right to sell an underlying asset at a specified price.
10. _______ is a risk management strategy using derivatives to offset potential losses.

(10 x 1 = 10 Marks)

(PTO)

Part B: Answer any *eight* questions. Each carries *two* marks.

11. Give two advantages of investing in bonds.
12. Write a note on options.
13. Define amortizing bonds.
14. What is efficient market hypothesis?
15. List two risks in investing in securities market.
16. Give a note on risk return trade off.
17. What is YTM?
18. Give a note on industry life cycle.
19. Define portfolio.
20. Who are speculators?

(8 x 2 = 16 Marks)

Part C. Answer any *six* questions. Each carries *four* marks.

21. (a) X purchases a share for Rs. 225. He receives a dividend of Rs. 2.50 after a year and sell it for Rs. 272. Calculate the returns earned by X.

    (b) If the price of the share is Rs.200 after a year what will be the return?
22. Briefly explain Options.
23. Write short notes on:
    a) Characteristics of bonds
    b) Bonds based on put option
24. List down critical points of swot analysis of an industry.
25. What are the different types of beta values? Explain with examples.
26. Mr. X subscribed shares in ABC Ltd. at a price of Rs. 100 each. Company paid dividend of Rs. 20 after one year. Compute return on investment. What would be your opinion if Mr. X paid a premium of Rs. 10 on subscription of these shares and the shares are fully paid up?
27. Differentiate between forwards and future contract.
28. What do you mean by currency futures and interest rated derivatives?

(6 x 4 = 24 Marks)

Part D: Answer any *two* questions. Each carries *fifteen* marks.

29. a) Summarize Malkiel's five theorems regarding bond pricing and explain how they are used in bond analysis.

    b) Using an example, illustrate the inverse relationship between bond prices and interest rates as described by Malkiel's first theorem.

    c) Discuss the implications of Malkiel's theorems for long-term bond investors.

30. a) Explain how a combination of Fundamental Analysis, Technical Analysis, and the EMH can provide a comprehensive approach to equity valuation. Discuss the benefits and potential challenges of using this combined approach.

    b) Given the following data for a company: current dividend = ₹5, expected growth rate of dividends = 4%, required rate of return = 9%, current EPS = ₹15, and current P/E ratio = 12, use both the DDM and P/E ratio model to estimate the stock's intrinsic value. Compare the results and discuss any discrepancies.

31. Calculate the market sensitivity index and the expected return on the investment from the following data:

Standard deviation of an asset	2.5%
Market standard deviation	2.0%
Risk-Free rate of return	13.0%
Expected rate of return market portfolio	15.0%
Correlation coefficient of portfolio with market	0.8%

What will be the expected return on the portfolio if portfolio beta is 0.5 and the risk-free rate is 10%?

(2 x 15 = 30 Marks)