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23/03/2024

D6BCM2103 (PAGES 2) Reg.No.....

Name: .....

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2024

(Regular/Improvement/Supplementary)

FINANCE

GBCM6B16T: FUNDAMENTALS OF INVESTMENTS

Time: 2 ½ Hours **Maximum Marks: 80**

SECTION A: Answer the following questions. Each carries *two* marks.

(Ceiling 25 Marks)

1. What are candle sticks?
2. A share is currently selling in the market for Rs.240, investor anticipates a dividend of Rs.12 at the end of the year and he also expects to sell the share for Rs.320 at the end of one year holding period. Calculate expected return
3. Beta value of security A is 1.5 Risk free rate of return is assumed to be 8% and the market return is expected to be 16% Calculate expected return of security A using capital asset pricing model.
4. What is meant by default risk?
5. A bond with face value of Rs 800 and a coupon rate of 12% is currently selling in the market for Rs.900. Calculate current yield
6. Explain dividend discount model of equity valuation
7. What is strong form of market efficiency?
8. Define an efficient portfolio
9. What is company analysis?
10. Explain the term trend reversal
11. Define investment.
12. Write a note on listing of securities
13. What is investor protection?
14. Define insider trading.
15. List any four functions of SEBI

SECTION B: Answer the following questions. Each carries *five* marks.

(Ceiling 35 Marks)

16. A stock costing Rs.1400 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probability are as follows.

Price (Rs.)	1350	1400	1650	1500	1650	1600
Probability	0.1	0.2	0.1	0.3	0.2	0.1

Calculate expected return.

17. Discuss the features of investment.
18. Define bond. Explain its types.
19. Explain the concept 'industry life cycle'.

(PTO)

20. Rajeev has decided to purchase 2000 shares of Wipro Ltd. with a plan to hold it for 6 years. He expects that company will pay a dividend of Rs.6 per share for the first two years, Rs.7.50 for the next three years and Rs.9 per share at the end of sixth year. He further estimates that market price of the share will be Rs.1500 at the end of the six year holding period. His required rate of return is 14%. You are asked to compute the maximum price to be paid as of now.
21. Discuss head and shoulder formation.
22. What is diversification? Explain the importance of diversification in portfolio management.
23. Write a note on
    a. Investor awareness.
    b. Unpublished price sensitive information.

SECTION C: Answer any *two* questions. Each carries *ten* marks.

24. Calculate expected return and standard deviation of returns from the following details.

Possible returns (%):	15	20	25	30	35
Probability of occurrence:	0.1	0.3	0.4	0.1	0.1

25. Zion Ltd. foresees a growth rate of 10 % per annum in the next 5 years. After that, the growth rate is expected to stabilize at 8% per annum. The company paid a dividend of Rs.12 per share during the current year. If the investor's required rate of return is 20 %, find out the intrinsic value per share of Zion Ltd.
26. Explain and illustrate Dow theory.
27. What is an optimal Portfolio? How is it identified?

(2 x 10 = 20 Marks)