

Subject Code **0316**

**FUNDAMENTALS OF INVESTMENT
(DSE-III)**

Question Booklet No.

Signature of Invigilator	To be filled in by candidate by ball-point pen only	OMR Sl. No. _____
	Roll No. _____	_____
Time of Examination	Declaration : I have read and understood the instructions given below.	
Date of Examination	Full Signature of Candidate	Full Marks : 80/50
	Name of Candidate	

Number of Questions in the Booklet } **50/40**



UU 6th Semester Examination, 2020

INSTRUCTIONS TO CANDIDATES

- Immediately after getting the booklet read instructions carefully mentioned on the front and back page of the Question Booklet. Do not open the seals unless asked by the Invigilator.
- Write your Roll No., OMR Response Sheet No., in the specified places given above and put your signature.
- Write the subject code of the booklet in your OMR Sheet.
- Make all entries in the OMR Response Sheet as per the given instructions; otherwise OMR Response Sheet will not be evaluated.
- After opening the seals, ensure that the Question Booklet contains total no. of pages as mentioned above and printing of all the **50 / 40** questions are proper. If any discrepancy is found, inform the invigilator within **15** minutes and get the correct Question Booklet.
- For each question in the Question Booklet choose the correct option from the given four alternatives and darken the same circle in the OMR Response Sheet with Black or Blue ball-point pen.
- Darken the circle of correct answer properly; otherwise answers will not be evaluated. The candidate will be fully responsible for it.
- If more than one option is darkened for a particular question, then it will be treated as wrong answer.
- After completion of the examination, only OMR Response Sheet is to be handed over to the invigilator.

THERE IS NO NEGATIVE MARKING FOR WRONG ANSWER

FUNDAMENTALS OF INVESTMENT (DSE-III)

(Answer any 25 questions)

1. The two key aspects of investment are
 - (A) Money and risk
 - (B) Time and risk
 - (C) Money and time
 - (D) Interest and time
2. The security market is market for
 - (A) Equity, preference and future
 - (B) Equity, preference and derivatives
 - (C) Equity, debt and derivatives
 - (D) None of the above
3. The three major developments of Indian Stock Market are
 - (A) Screen-based trading, online trading and electronic delivery
 - (B) Screen-based trading, online trading and rolling settlement
 - (C) Screen-based trading, rolling settlement and electronic delivery
 - (D) All of these
4. The portfolio is likely to comprise
 - (A) Financial assets and real assets
 - (B) Tangible assets and intangible assets
 - (C) Secured assets and unsecured assets
 - (D) Financial assets and unsecured assets
5. From the following information find out the rate of return on an investment
Price at the beginning of the year : Rs 60.00
Dividend paid toward the end of the year :Rs. 2.40
Price at the end of the year: Rs. 66.00
 - (A) 10 Percent
 - (B) 12 Percent
 - (C) 14 Percent
 - (D) 18 Percent
6. Bonds or Debentures represent
 - (A) Short term debt instrument
 - (B) Medium term debt instrument
 - (C) Long term debt instrument
 - (D) Very short term debt instrument
7. Approaches to succeed as an investor:
 - (A) Physically difficult approach
 - (B) Intellectually difficult approach
 - (C) Psychologically difficult approach
 - (D) All of these
8. Initiatives, such as electronic transfer, rolling settlement and screen based trading have been taken by
 - (A) SBI
 - (B) RBI
 - (C) SEBI
 - (D) None of the above

9. Stock index futures and stock index options are examples of
- (A) Credit Derivatives
 - (B) Equity Derivatives
 - (C) Bonus Derivatives
 - (D) None of these
10. You want to take a trip to moon which costs Rs. 10,00,000. The cost is expected to remain unchanged in nominal terms. You can save annually Rs. 50,000 to fulfill your dream. How long will you have to wait if your savings earn an interest of 12 percent?
- (A) 10 years
 - (B) 11 years
 - (C) 12 years
 - (D) 13 years
11. Interest payments on Gilt-edged securities are typically
- (A) Annual
 - (B) Semi-annual
 - (C) All of the above
 - (D) None of the above
12. Which statement is true?
- (A) The YTM is the single discount rate at which the present value of payments received from the bond equals its price.
 - (B) The YTM represents the average rate of return from the bond if it is held till maturity.
 - (C) Both A and B
 - (D) Only A but not B
13. An investor who acquires a bond issued by a foreign entity faces
- (A) Call risk
 - (B) Default risk
 - (C) Sovereign risk
 - (D) Event risk
14. Debt ratings are supposed to
- (A) Provide superior information
 - (B) Offer low cost information
 - (C) Both A and B
 - (D) None of the above
15. Key financial ratios used for bond ratings are
- (A) Coverage ratios
 - (B) Leverage ratios
 - (C) Liquidity ratios
 - (D) All of the above
16. The NSE disseminates a Zero Coupon Yield Curve (ZCY(C) that gives the term structure of the interest rate at any given point of time based on the
- (A) Preferred habitat theory
 - (B) Nelson Siegel model
 - (C) All of the above
 - (D) None of the above
17. Assume the following spot rates
- | | | |
|-----------|-----|-----|
| Year | 4 | 5 |
| Spot Rate | 8.3 | 8.4 |
- What is the forward rate of fifth year?
- (A) 8.3 percent
 - (B) 8.4 percent
 - (C) 8.8 percent
 - (D) 8.9 percent

18. The expected dividend per share of ABC Ltd. is Rs. 5.00. The dividend is expected to grow at the rate of 6 percent per year. If the price per share now is Rs. 50.00. What is the expected rate of return?
- (A) 12 percent
 (B) 14 percent
 (C) 15 percent
 (D) 16 percent
19. Which statement is not true
- (A) Stocks which are highly liquid command higher P/E multiples
 (B) Stocks which are highly liquid command lower P/E multiples
 (C) Only A and not B
 (D) None of the above
20. The Most commonly followed passive strategies are
- (A) Buy and hold strategy
 (B) Indexing strategy
 (C) Both A and B
 (D) None of the above
21. The four principal vectors of an active strategy are
- (A) Market timing, sector rotation, customer selection and use of a specialized tool
 (B) Market timing, sector rotation, customer relation and use of a specialized tool
 (C) Market timing, sector rotation, security selection and use of a specialized concept.
 (D) Market research, sector rotation, customer relation and use of a specialized tool.
22. Equity analysts employ two kinds of analysis, they are
- (A) Fundamental analysis and technical analysis
 (B) Fundamental analysis and repeated analysis
 (C) Fundamental analysis and non parallel analysis
 (D) None of the above
23. According to Gordon model, If the dividend per share grows at a constant rate, the value of the share is
- (A) $P_0 = D_0 / (r - g)$
 (B) $P_0 = D_1 / (r - g)$
 (C) $P_0 = D_0 / (r - v)$
 (D) None of the above
24. High dividend yield and low price-earning ratio imply
- (A) Unlimited growth prospects
 (B) Limited growth prospects
 (C) Stagnant growth prospects
 (D) All of the above
25. Stock market returns are determined by interaction of two factors, they are
- (A) Investment returns and selective returns
 (B) Investment returns and speculative returns
 (C) Regular returns and speculative returns
 (D) None of the above
26. An active bond portfolio strategy seeks to profit mainly by
- (A) Forecasting interest rate changes
 (B) Exploiting relative mispricings among bonds
 (C) Both A and B
 (D) None of the above

27. There are three broad options in respect to bond portfolio management, they are
- (A) Passive strategy, active strategy and Immunization strategy
 - (B) Aggressive strategy, active strategy and Immunization strategy
 - (C) Aggressive strategy, inactive strategy and Immunization strategy
 - (D) None of the above
28. A passive equity portfolio strategy seeks to design a portfolio meant to replicate the performance of a
- (A) Saturated Index
 - (B) Specific Index
 - (C) Mixed Index
 - (D) All of the above
29. A dynamic asset allocation policy involves shifting the asset mix mechanically in response to
- (A) Changing Global conditions
 - (B) Changing economic situations
 - (C) Changing market conditions
 - (D) None of these
30. Most popular bond market Index in India is
- (A) i-DEX
 - (B) i-BEX
 - (C) i-NOX
 - (D) None of the above
31. In terms of market capitalization and market turnover, worlds biggest stock exchanges are
- (A) NYSE and NASADQ
 - (B) NSYE and NASDAQ
 - (C) NYSE and NASDAQ
 - (D) None of the above
32. In most of the stock exchanges, the indices used in practice are
- (A) Price-weighted index
 - (B) Equal-weighted index
 - (C) Value-weighted index
 - (D) All of the above
33. A stream of constant cash flows occurring at regular intervals of time is
- (A) An Annuity
 - (B) Cash flow
 - (C) Deprecation
 - (D) None of the above
34. Approaches commonly used in the appraisal of real estate are
- (A) Cost approach
 - (B) Sales comparison approach
 - (C) Discounted cash flow approach
 - (D) All of these
35. Investment in real estate meant for being rented out offers several tax shelters such as:
- (A) Standard deduction
 - (B) Tax-deductibility of interest on loan
 - (C) Wealth tax exemption
 - (D) All of these
36. Which is not a major function of portfolio manager?
- (A) Asset allocation
 - (B) Sector allocation
 - (C) Security selection
 - (D) Margin allocation

37. Global investing provides
- (A) Attractive opportunities
 - (B) Diversification benefits
 - (C) All of the above
 - (D) None of the above
38. The value of an equity share is equal to the present value of dividends expected from its ownership according to the
- (A) Gordon model
 - (B) Two-stage growth model
 - (C) Dividend discount model
 - (D) None of these
39. To check the doubling period of your investment, which magic number can be used?
- (A) 52
 - (B) 72
 - (C) 82
 - (D) 92
40. According to the earning multiplier approach, the value of stock is estimated as follows:
- (A) $P_0 = E_1 \times P_0/E_0$
 - (B) $P_0 = E_0 \times P_0/E_0$
 - (C) $P_0 = E_1 \times P_0/E_1$
 - (D) None of the above

