

**H** Roll No. ....

**BCH-603 DSE GRP B(a)**

**B. COM. (H) (SIXTH SEMESTER)  
MID SEMESTER EXAMINATION, 2021**

**FUNDAMENTALS OF INVESTMENT**

**Time : 1½ Hours**

**Maximum Marks : 50**

**Note :** (i) Answer all the questions by choosing any *one* of the sub-questions.

(ii) Each question carries 10 marks.

1. (a) Define the term Investment ? Show the Steps involved into investment decision process. 10 Marks

OR

- (b) Compare the major point of differences between Investment and Speculation.

10 Marks

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2. (a) Name the various options of investments available into financial securities with key features of every option available.

10 Marks

OR

- (b) Compare and contrast the key features of fixed income securities and equity-based securities.

10 Marks

3. (a) Apply the concept of risk and return in investment decision making.

10 Marks

OR

- (b) Bob is interested in a stock that is currently trading at \$32 per share and that pays monthly dividends of \$0.60 per share. His expectation is to see the stock in four months for \$35. Steve is interested in a different stock that is trading at \$34 per share and that pays quarterly dividends of \$0.95 per share. He expects to sell the stock in six months for \$38. Which stock is more lucrative in terms of the annualized holding period return?

10 Marks

(3)

4. (a) Assess the impact of changes in tax rates and inflation in the economy on the return of different financial securities, explain with suitable examples.

10 Marks

OR

- (b) What are the motives to invest funds in bonds? List the types of risk involved in investment in bonds.

10 Marks

5. (a) Explain the importance of bond valuation. How bond valuation is helpful in sound investment decisions.

10 Marks

OR

- (b) A bond is currently selling in the market for \$1,750. It has a coupon of 8% and a 22-year maturity. Calculate the yield to maturity on this bond. Assume the face value is \$1000. If the Investor has expected rate of return of 14%, should the investor opt for investment in this bond.

10 Marks