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# C. U. SHAH UNIVERSITY Winter Examination-2021 

## Subject Name : Fundamentals of Investment - I

Subject Code : 4CO05FOI1
Semester: 5

Date: 21/12/2021

Branch: B.Com (English)
Time: 11:00 To 02:00 Marks: 70

Instructions:
(1) Use of Programmable calculator \& any other electronic instrument is prohibited.
(2) Instructions written on main answer book are strictly to be obeyed.
(3) Draw neat diagrams and figures (if necessary) at right places.
(4) Assume suitable data if needed.

## Q-1 Attempt the following questions:

a) If interest rates rise, the price of preferred stock
(A) is not affected
(B) rises
(C) falls
(D) may rise or fall
b) The use of financial leverage by a firm may be measured by the
(A) ratio of debt to total assets
(B) firm's beta coefficient
(C) firm's retention of earnings
(D) ratio of the price of the firm's stock price to its earnings
c) Which of the following is an example of a depreciable asset?
(A) Land
(B) Cash
(C) Accounts receivable
(D)

Equipment
d) What is a call?
(A) An option to sell stock at a specified price
(B) An option to buy stock at a specified price
(C) An option to sell stock on a specified date
(D) An option to buy stock on a specified date
e) Market where issuers sell new shares is called $\qquad$ market.
(A) Secondary
(B) Primary
(C) Stock
(D) None of these
f) Inflation will
(A) escalate the cost
(B) reduce the purchasing power
(C) reduce the saving
(D) all of these
g) Real estate investment means
(B) Investment in flats
(A) Investment in houses
(C) Investment in bungalows
(D) all of these
h) Stock exchange is
(A) Primary market
(B) Secondary market
(C) Money market
(D) None of these
i) Financial assets include
(A) Bank deposits
(B) Investment in debentures/bonds
(C) Investment in equity shares
(D) all of these
j) Speculator is a person
(A) Who evaluates the performance of the company
(B) Who uses his own funds only
(C) Who is willing to take moderate risk only
(D) Who considers hearsays, rumors and market behavior
k) means a number of securities/assets put together.
(A) Investment
(B) portfolio
(C) savings
(D) none of these

1) Zero coupon bonds mean
(A) Fixed rate of interest
(B) Zero rate of interest
(C) Higher rate of interest
(D) None of these
m) Callable bonds mean
(A) Subscriber has the right to demand money before the time
(B) Issue has the right to redeem before the time
(C) Investor can request for redemption any time
(D) None of these
n) Risk that a borrower may not pay interest/principal timely is
(A) Call risk
(B) Liquidity risk
(C) Default risk
(D)
None of these
Attempt any four questions from Q-2 to Q-8
Q-2 Attempt all questions
Discus the difference between Investment, Speculation and Gambling. 14
Q-3 Attempt all questions
Q-4 Attempt all questions
(A) Explain securities market participants. 7
(B) Describe the features of bonds. 7
Q-5 Attempt all questions (14)
(A) Explain stage of Economic Analysis in Fundamental Analysis. 7
(B) Give the characteristics of an Industry. 7
Q-6 Attempt all questions
(A) Give the types of bond. 7
(B) Describe the Bond Valuation Method. 7
Q-7 Attempt all questions (14)
(A) Discuss the characteristics of stock market. 7
(B) Differentiate between primary market and secondary market. 7
Q-8 Attempt all questions (14)
(A) Explain what investment is and discuss the classification of Investors. 7
(B) Explain factors affecting investment decisions. $\mathbf{7}$

