APRIL 2020 **66401/KDA4G/KDF4G**

Time : 1½ hours Maximum : 75 marks

PART A — (5 × 3 = 15 marks)

Answer any FIVE questions.

1. What is economic investment?

2. Write a note on financial Investment.

3. What is Capital Risk?

4. Define the term 'Return'.

5. What is a financial Security?

6. Define the term 'valuation'.

7. What is 'Zero-Investment Portfolio'?

8. Give the meaning of 'Random Walk Theory'.

9. What is Weak form of (EMH) — Efficient Market Hypothesis?

10. What is Semi-Strong form of Efficient Market Hypothesis?

11. What is Par Value of a Share?

12. By whom the Elliott Wave Principle introduced?

PART B — (3 × 10 = 30 marks)

Answer any THREE questions.

13. What are the features of Equity Shares?

14. What are the objectives of "Time Value of Money"?

15. State the benefits of Financial Markets?

16. Differentiate fundamental analysis from Technical analysis.

17. B Ltd issues 12% bonds at the face value of Rs. 1,000. Assuming that the bonds are redeemable after 5 years at Par. You are required to calculate the price at which an Investor shall be willing to buy the same now it the rate of return expected by the investor is 14%.

18. Following Data Pertain to the shares of a company.

Year	DPS (Rs.)	AMP (Rs.)
2000	2.00	100
2001	2.10	80
2002	2.20	110
2003	2.40	180
2004	2.50	220
2005	3.00	260
2006	3.20	280

You are required to calculate the Annual Rate of Return of the shares for the last six years and Comment on the risky nature of the shares.

19. From the following data, illustrate the working of 'Value Additivity' Using Beta and CAPM?

Particular's	Project A	Project B
Cash flows in year - I	Rs. 10,000	Rs. 10,000
Cash flows in subsequent year	Nil	Nil
Beta	1.0	2.0
Risk-free rate (rf)	10%	
Market risk - premium (rm-rf)	8%	

PART C — (2 × 15 = 30 marks)

Answer any TWO questions.

20. Explain the types of financial investments.

21. What are the different types of Risks? Explain each of them briefly.

22. Discuss the different categories of derivatives for trading in financial market.

23. Following cash flow occurrence is reported by a company.

Year	Cash Flow (Rs.)
1	4000
2	4000
3	4400
4	4840
5	5324

It is further reported that the cash flows are expected to grow constantly at 10%. Assuming 10% interest per annum, you are required to calculate revised annual cash flows and the total Present Value of those cash flows a 10% discount rate.

24. An Investor is willing to buy 7% preferred stock with the following Details.

Face Value Rs. 1,000

Maturity: 5 years at Par.

Required rate of return: 8%

Find the price of the preferred stock which the investor would be willing to buy the share.

25. Differentiate between CAPM and APM.

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