LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

FIFTH SEMESTER – NOVEMBER 2017

CO 5404 - INTRODUCTION TO INVESTMENT MANAGEMENT

Date: 11-13-2017 Dept. No. Max. : 100 Marks

Time: 09:00-12:00

PART- A

ANSWER ALL THE QUESTIONS (10X2=20 Marks)

1. Why does money have time value?
2. If you invest Rs. 5000 today at a compound interest of 9 percent, what will be its future value after 10 years?
3. Expand EIC approach
4. Who are the regulators for the following industry? A) Stock Market B) Insurance C) Pension funds D) Banking E) Chit funds
5. Expand PFRDA, RBI, SEBI, and IRDA.
6. Define Risk
7. What is called Derivatives?
8. Why do investors prefer Mutual Funds?
9. What is called Risk free rate? How much is it in India?
10. Define required rate of return.

PART- B

ANSWER ANY FOUR QUESTIONS (4X10=40 Marks)

11. As a Winner of a competition, you can choose one of the following prizes:

Option A Rs. 500,000 now

Option B Rs. 10,00,000 at the end of 6 years

Option C Rs. 60,000 a year forever

Option D Rs. 100,000 per year for 10 years

Option E Rs. 35,000 next year and rising thereafter by 5% per year forever.

If the interest rate is 10 percent, which prize has the highest present value. Justify why your option is the best.

12. Describe the process of investment decisions
13. What are the features of primary and secondary market?

14. Sangeetha borrows Rs 80,000 for a musical system at a monthly interest of 1.25 percent. The loan is to be repaid in 12 equal monthly installments, payable at the end of each month. What is the monthly installment? Prepare the loan amortization schedule.

15. Given the following probability distribution of returns for a stock, what is the expected rate of return, standard deviation of the returns on the investment?

Probability	Rate of Return
.10	10%
.20	5%
.30	10%
.40	25%

16. Who can hedge using derivatives?

17. Critically evaluate the fundamental analysis.

PART –C

ANSWER ANY TWO QUESTIONS (2X20=40 Marks)

18. Discuss the different avenues available to Indian investors today by comparing their risk-return relationships.

19. a) Rs. 1000 par value bond, bearing a coupon rate rate of 11 % will matureafter 5 years. What is the value of the bond, if the discount rates are i)11 percent ii) 15 percent iii) 19 percent? Discuss the relationship between the discount rate and price of bond empirically.

b) Mr. X is planning to buy an equity share in order to sell it later at high price. His required rate of return is 15%.

i. The expected dividend at the end of year one is Rs 7 and the expected sale proceeds Rs. 200 after 1 year. Determine the value of the share to the investor.

ii. The expected dividend at the end of year one is Rs. 7 and at the end of year two is Rs 7.5. The expected selling price of the share at the end of year two is Rs 220.

iii. The expected dividend for each of 10 years is Rs. 5 and the expected selling price of the share at the end of 10 years is Rs. 450

20. Discuss various investment alternatives available for these classes of investors:

- Young IT consultant aged 35 earning Rs 50,000 pm
- Retired railway employee with a pension of Rs 15,000 pm and the retirement benefit of Rs 20 lakhs in lump sum
- Businessman with an earning potential of Rs 10 lakhs a year

21. What do you mean by Risk? Explain Systematic and Unsystematic risks.