

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – NOVEMBER 2009

CO 5401 - PERSONAL INVESTMENT

Date & Time: 11/11/2009 / 1:00 - 4:00 Dept. No.

Max. : 100 Marks

SECTION A

Answer all

10 X 2 = 20 Marks.

1. Define security according to the Securities Contracts Regulation Act 1956.
2. What do you mean by capital appreciation? Give an example.
3. What is the use of Present Value Interest Factor of an Annuity?(PVIFA) Give an example.
4. Give a brief note on 'Hedge against inflation'.
5. When a beta of a security is +2, what does it mean?
6. Cite any two recent examples of political or social or economic events that have exited the stock market in India.
7. The shares of BHEL company were purchased by Mr.X for Rs.2,000 on January 1 2009. The stock paid dividends totaling Rs.40 during the holding period. At the year end, the stock was sold for Rs. 1,800. What was the total return on the stock for the year?
8. What is EPS? How will you calculate it?
9. State any two advantages of investment in gold.
10. What do mean by time value of money? Give an example.

SECTION B

Answer any five questions

5 X 8 = 40 Marks.

11. Explain the process of investment.
12. Distinguish investment from speculation.
13. What are the different types of risks involved in an investment? Explain
14. A stock costing Rs.100 pays no dividend. The possible prices that the stock might sell for at year – end and the probability of each are:

Year – end price in Rs.	Probability
90	10%
95	20%
100	40%
110	20%
115	10%

- a) Find out the expected return on the stock.(4 Marks)
- b) What is the standard deviation of the expected return? (4 Marks)
15. A Rs. 10,000 par value bond bearing a coupon rate of 11% matures after 5 years. The expected YTM is 15%. The present value is Rs. 8,200. Can the investor buy the bond? Also calculate the actual Yield To Maturity.
16. What is Capital Asset Pricing Model? What are the assumptions of CAPM?
17. Write short notes on the following: (2 Marks each)
 - a) Equity shares
 - b) Diversification
 - c) Primary market
 - d) Coupon rate
18. Explain the various bond value theorems with examples.

SECTION C

Answer any two questions

2 X 20 = 40 Marks.

19. What do mean by mutual fund? Discuss the various types of mutual funds.
20. What are the various investment alternatives available for Indian investors at present?
Explain

21. a) Mr.X deposits Rs. 3,000 annually in a bank for 5 years and his deposits can earn a compound interest rate of 10% p.a.(compounded annually). Find out the value of this series of deposits at the end of 5 years. Assume that each deposit occurs at the end of the year. (5marks)

b) Mr. X takes a housing loan of Rs. 10,00,000 at the interest rate of 11% p.a. Find out the equal annual installment for the repayment period of 15 years.(5 Marks)

c) A firm had paid dividend at Rs.2 per share last year. The estimated growth of the dividends from the company is estimated to be 5% p.a. Determine the estimated market price of the equity share if the estimated growth rate of dividends. Expected rate of return is 15.5%.

- a) rises to 8%. (2.5 Marks)
b) falls to 3% (2.5 Marks)

d) Mr. X has a portfolio of five securities whose expected return and amount invested are as follow.

Security	A	B	C	D	E
Amount	Rs.1,50,000	2,50,000	3,00,000	1,00,000	2,00,000
Expected return	12%	9%	15%	18%	14%

Find out the expected return of the portfolio. (5 Marks)
