



BRAINWARE UNIVERSITY

Term End Examination 2018 - 19

Programme – Bachelor of Commerce (Honours) in Banking & Financial Accounting

Course Name – Fundamentals of Investment

Course Code – BCM606B

(Semester – 6)

Time allotted:3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*
 - (i) Equity cult is spreading very fast in India due to

a. High propensity to save among the Indians	b. Tax concession on divided income in India
c. Tax concession on capital gain in India	d. All of the above
 - (ii) The rate at which RBI lends short term funds to bank is

a. Reverse Repo Rate	b. Repo Rate
c. Interest Rate	d. None of these
 - (iii) Private placement is preferred by companies because it is

a. Cost effective	b. Time effective
c. Access effective	d. All of the above
 - (iv) The latest stock market to come up in India is

a. NSE	b. BSE
c. MCX – Stock Exchange	d. All of the above
 - (v) According to Efficient market theorist the stock price

a. Moves in trend	b. Each successive change depends on the previous one
c. Each successive change does not depend on the previous one	d. Price movements create patterns

- (vi) One difference between a financial lease and operating lease is that
- | | |
|---|--|
| a. There is often a call option in financial lease | b. There is often a buy option in an operating lease |
| c. An operating lease is often cancellable by the lease | d. A financial lease is often cancellable by the lease |
- (vii) Demat eliminates the risk of
- | | |
|------------------------------------|---------------------------------|
| a. Fake certificates | b. Demat eliminates the risk of |
| c. Delay in the transfer of shares | d. Fake certificates |
- (viii) The type of lease that includes a third party, a lender is called
- | | |
|-----------------------|--------------------------------|
| a. Sale and Leaseback | b. Direct leasing arrangements |
| c. Leveraged Lease | d. Operating Lease |
- (ix) Medium Term Notes have maturities that range up to
- | | |
|----------------------------|-------------------------------|
| a. One year (but no more) | b. Two year (but no more) |
| c. Ten Years (but no more) | d. Thirty Years (but no more) |
- (x) Full form of NAV is
- | | |
|-------------------------|----------------------|
| a. Net Assets Value | b. Non Assets Value |
| c. Net Applicable Value | d. None of the above |

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

- | | |
|--|---|
| 2. What is the difference between ADR and GDR? | 5 |
| 3. What is Money Market Mutual Fund? Critically evaluate their importance. | 5 |
| 4. What are the stages of Efficient Market Hypothesis? | 5 |
| 5. What is Book Building Process? | 5 |
| 6. Suppose party 'A' enters into a three-year fixed to floating interest rate swap with party 'B' on the following terms: Notional Principal is \$ 3000000. Let's assume that party 'A'; pays on a semi-annual basis at 6% rate of interest and receives from party 'B' LIBOR + 25 basic points. The LIBOR at present is 5.75% p.a. What will be the amount payable in Fixed Rate and Floating Rate? | 5 |

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. (a) (a) What is Capital Adequacy Ratio? 3
 (b) What is the importance of Capital Adequacy Ratio? 4
 (c) Big Bank in India has ₹2 million in tier one capital and ₹1 million in tier two capital. It also has three loans and their assigned riskiness is as follows – 8
 ₹20,000,000 to Capital City at 10% riskiness
 ₹40,000,000 to Giant Conglomerated at 50% riskiness
 ₹10,000,000 to Swifty Smith at 100% riskiness
 Calculate CAR for Big Bank and comment on its riskiness.
8. (a) What is the need of Venture Capital Funding? 7
 (b) What are the reasons behind recent trends of NPAs of Public Banks in India? 8
9. (a) What are the types of Equity Funds? 5
 (b) Define Gilt Fund. 5
 (c) What are the types of Special Funds? 5
10. (a) What are the Exchange Traded Funds 5
 (b) Determine the NAV on the basis of the following data for a Regular Income Fund 10

Particulars	₹ (in Lakhs)
Listed shares at cost (Ex-Dividend)	20.00
Cash in Hand	1.23
Bonds and Debentures at cost	4.30
Of the above Bonds not listed and quoted	1.00
Other Fixed Interest Bearing Securities at Cost	4.50
Dividend Accrued	0.80
Amount Payable at shares	6.32
Expenditure Accrued	0.75
No of Units (Face Value ₹10)	2,40,000
Current realizable value of fixed income securities (Face Value ₹100)	106.50

All the listed shares are purchased when the index value was 1200. On NAV date the value of Index at 2120. Listed bonds and debentures carry a market value of ₹5 Lakhs (on NAV date).

11. (a) Evaluate Cap and Floor Price 5
 (b) Money Market 5
 (c) Call Option and Put Option 5