



BRAINWARE UNIVERSITY

Term End Examination 2020 - 21

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

Course Name – Security Analysis and Fundamentals of Investment

Course Code - BCM506A

Semester / Year - Semester V

Time allotted : 85 Minutes

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)

1 x 70=70

1. (Answer any Seventy)

(i) What is the study of financial securities for the purpose of successful investing?

- | | |
|------------------------|-------------------|
| a) Investment analysis | b) Capital market |
| c) Real insurance | d) Liquidity |

(ii) Which of the following refers to buying and selling of securities in market?

- | | |
|--------------|------------------|
| a) Liquidity | b) Safety |
| c) Risk | d) Marketability |

(iii) Investment _____ can be defined as the existing investment vehicles in the market available for investor and the places for transactions with these investment vehicles.

- | | |
|----------------|-------------|
| a) banking | b) market |
| c) environment | d) analysis |

(iv) Which of the following is the debt instrument issued by the bank that indicates that a specified sum of money has been deposited at the issuing depository institution?

- | | |
|-------------------------|---------------------------|
| a) Treasury bills | b) Commercial paper |
| c) Bankers' acceptances | d) Certificate of deposit |

(v) Commercial paper is a means of short-term borrowing by _____ corporations.

- a) small
- b) large
- c) medium
- d) average

(vi) Which of the following are equity security, which has infinite life and pay dividends?

- a) Long-term debt security
- b) Preferred stock
- c) Speculative investment
- d) Open-end fund

(vii) What is caused by factors external to the particular company and uncontrollable by the company?

- a) The unsystematic risk
- b) The systematic risk
- c) Interest rate risk
- d) Business risk

(viii) Which of the following is the uncertainty of returns to an investor who acquires securities denominated in a currency different from his or her own?

- a) Country risk
- b) Liquidity risk
- c) Financial risk
- d) Exchange rate risk

(ix) What is also called political risk?

- a) Country risk
- b) Liquidity risk
- c) Financial risk
- d) Exchange rate risk

(x) _____ risk in a company is associated with the capital structure of the company

- a) Country
- b) Liquidity
- c) Financial
- d) Exchange

(xi) Which of the following is the variation in the single period rates of return caused by the fluctuations in the market interest rate?

- a) Market risk
- b) Interest rate risk

c) Purchasing power risk

d) Business risk

(xii) Fundamental analysis is really a logical and _____ approach to estimating the future dividends and share 1. price, it is based on the basic premise that share price is determined by a number of fundamental factors relating to the economy, industry and company.

a) practical

b) realistic

c) systematic

d) rational

(xiii) In 2007, _____ was the most significant real asset of U.S. households in terms of total value.

a) consumer durables

b) automobiles

c) real estate

d) mutual fund shares

(xiv) The material wealth of a society is equal to the sum of _____.

a) all financial assets

b) all real assets

c) all financial and real assets

d) all physical assets

(xv) Financial assets _____.

a) directly contribute to the country's productive capacity

b) indirectly contribute to the country's productive capacity

c) contribute to the country's productive capacity both directly and indirectly

d) do not contribute to the country's productive capacity either directly or indirectly

(xvi) The sale of a mortgage portfolio by setting up mortgage pass-through securities is an example of _____.

a) credit enhancement

b) securitization

c) derivatives

d) none of these

(xvii) Commercial banks differ from other businesses in that both their assets and their liabilities are mostly

- a) illiquid
- b) financial
- c) real
- d) owned by the government

(xviii) Although derivatives can be used as speculative instruments, businesses most often use them to

- a) attract customers
- b) appease stockholders
- c) offset debt
- d) hedge

(xix) A fixed-income security pays _____.

- a) a fixed level of income for the life of the owner
- b) a fixed stream of income or a stream of income that is determined according to a specified formula for the life of the security
- c) a variable level of income for owners on a fixed income
- d) a fixed or variable income stream at the option of the owner

(xx) Second mortgages pledged against bond's security are referred as

- a) loan mortgages
- b) medium mortgages
- c) senior mortgages
- d) junior mortgages

(xxi) Bonds issued by corporations and exposed to default risk are classified as

- a) corporation bonds
- b) default bonds
- c) risk bonds
- d) zero risk bonds

(xxii) Falling interest rate leads change to bondholder income which is

- a) reduction in income
- b) increment in income
- c) matured income
- d) frequent income

(xxiii) The contract between a bond issuer and a bondholder is called:

- a) an indenture
- b) a debenture
- c) a collateral.
- d) a charter.

(xxiv) Which of the following is another name for an unsecured bond?

- a) Obligation trust bond
- b) Junk bond
- c) Speculative bond
- d) Debenture

(xxv) Treasury bonds are exposed to additional risks that are included

- a) reinvestment risk
- b) interest rate risk
- c) investment risk
- d) Both reinvestment risk and interest rate risk

(xxvi) Bonds that have high liquidity premium are usually have

- a) inflated trading
- b) default free trading
- c) less frequently traded
- d) frequently traded

(xxvii) Risk of fall in income due to fall in interest rates in future is classified as

- a) income risk
- b) investment risk
- c) reinvestment risk
- d) mature risk

(xxviii) Redemption option which protects investors against rise in interest rate is considered as

- a) redeemable at deferred
- b) redeemable at par
- c) redeemable at refund
- d) redeemable at finding

(xxix) An official entity that represents bondholders and ensures stated rules in indenture is classified as

- a) trustee
- b) trust
- c) stated entity
- d) owner entity

(xxx) Difference between bond's yield and any other security yield having same maturities is considered as

- a) maturity spread
- b) bond spread

c) yield spread

d) interest spread

(xxxix) Protective covenant devised in market to reduce event risk and to control debt cost is classified as

a) super poison covenant

b) super poison put

c) super poison call

d) super poison redemption

(xxxix) An inflation rate included in bond's interest rates is one which is inflation rate

a) at bond issuance

b) expected in future

c) expected at time of maturity

d) expected at deferred call

(xxxix) A premium charged by lenders for securities that cannot be converted into cash is classified as

a) required premium

b) liquidity premium

c) marketability premium

d) Both liquidity premium and marketability premium

(xxxix) Bond which is issued in market and few days are passed of its issuance is classified as

a) instable bond

b) outstanding bond

c) standing bond

d) stable bond

(xxxix) Unsecured bonds which is designated for only notes payable or all other debts are classified as

a) designated bonds

b) payable bonds

c) ordinate bonds

d) subordinated bonds

(xxxix) According to top rating agencies S&P double-B and other lower grade bonds are classified as

a) development bonds

b) junk bonds

c) compounded bonds

d) discounted bonds

(xxxvii) Price of an outstanding bond increases when market rate

- a) never changes
- b) increases
- c) decreases
- d) earned

(xxxviii) Type of bonds that pays no coupon payment but provides little appreciation are classified as

- a) depreciated bond
- b) interest bond
- c) zero coupon bond
- d) appreciation bond

(xxxix) Type of bond in which payments are made on basis of inflation index is classified as

- a) borrowed bond
- b) purchasing power bond
- c) surplus bond
- d) deficit bond

(xl) Coupon rate of bond is also called

- a) nominal rate
- b) premium rate
- c) quoted rate
- d) both nominal rate and quoted rate

(xli) The central issue of efficient markets concerns:

- a) regulations
- b) information
- c) participants
- d) structure

(xlii) An efficient market is defined as one in which:

- a) all participants have the same opportunity to make the same returns
- b) all participants have the same legal rights and transactions costs.
- c) securities' prices quickly and fully reflect all available information.
- d) securities' prices are completely in line with the intrinsic value.

(xliii) What is the result of the widespread usage of the Internet with regards to efficient markets?

- a) It makes information cheaper and more accessible thus making markets more efficient.
- b) It is subject to new regulation thus making markets less efficient.
- c) It increases the volatility of security prices thus making markets less efficient
- d) It increases competition among brokers thus making markets more efficient.

(xliv) If a market is inefficient, as new information is received about a security:

- a) nothing will happen.
- b) the stock price will fall at first and then later rise.
- c) there will be a lag in the adjustment of the stock price
- d) there will be negative demand for the stock

(xlv) Weak form market efficiency

- a) implies that the expected return on any security is zero
- b) incorporates semi-strong form efficiency
- c) involves price and volume information
- d) is compatible with technical analysis

(xlvi) The weak form of the EMH is supported if successive price changes over time are

- a) independent of each other
- b) negative
- c) positive
- d) lagged

(xlvii) One of the most popular tools used by technical analysts is:

- a) P/E ratio
- b) book-to-market-value ratio
- c) moving averages
- d) growth rate of dividends

(xlviii) A bar chart is used to illustrate:

- a) high, low, opening and closing prices on a daily basis
- b) advances and declines of stock prices
- c) reversal in the direction of stock prices without consideration of time
- d) high, low and closing stock prices on a daily basis

(xlix) According to the Dow Theory, daily fluctuations and secondary movements in the stock market are used to identify the:

- a) intermediate trend
- b) primary trend
- c) moving average
- d) seasonal pattern

(l) Which of the following indicates a buy signal to technical analysts?

- a) The support level is broken
- b) The stock breaks through the moving average line from below
- c) The advance-decline line is falling in a rising market
- d) Both the Dow Jones Industrial Average and the Dow Jones Transportation Average are moving down

(li) When technical analysts say a stock has good relative strength, they mean the:

- a) ratio of the price of the stock to a market index has trended downwards
- b) recent trading volume in the stock has exceeded the normal trading volume
- c) total return on the stock has exceeded the total return on other stocks in the same industry
- d) ratio of the price of the stock to a market index has trended upwards

(lii) Which of the following terms represents an upper price limit for a stock, based on the quantity of willing sellers?

- a) Channel
- b) Support
- c) Trendline
- d) Resistance

(liii) The daily high price is represented on a candlestick chart by the:

- a) real body.
- b) shadow
- c) trendline
- d) channel

(liv) The daily opening price is represented on a candlestick chart by the:

- a) channel
- b) trendline
- c) shadow
- d) real body

(lv) Which of the following is a sentiment indicator?

- a) Advance-decline line.
- b) Relative strength ratio.
- c) Trendline
- d) Odd-lot trading

(lvi) On which of the following does a hammer sometimes appear?

- a) Bar chart.
- b) Put/call ratio
- c) Candlestick chart
- d) Moving average chart

(lvii) Which of the following contains the real body?

- a) Point-and-figure chart
- b) Moving average chart
- c) Candlestick chart
- d) Bar chart

(lviii) Which type of chart is formed using only closing price data?

- a) Bar chart
- b) Point-and-figure chart.
- c) Advance-decline chart.
- d) Candlestick chart.

(lix) Which of the following is most closely associated with the terms “primary trend,” “intermediate trend,” and “short-term trend”?

- a) Bar chart
- b) Channel
- c) Candlestick chart.
- d) Dow Theory

(lx) _____ is equal to (common shareholders' equity/common shares outstanding).

- a) Book value per share
- b) Liquidation value per share
- c) Market value per share
- d) None of these is correct

(lxi) _____ are analysts who use information concerning current and prospective profitability of a firm to assess the firm's fair market value.

- a) Credit analysts
- b) Fundamental analysts
- c) Systems analysts
- d) Technical analysts

(lxii) The _____ is defined as the present value of all cash proceeds to the investor in the stock.

- a) dividend payout ratio
- b) intrinsic value
- c) market capitalization rate
- d) plowback ratio

(lxiii) The _____ is a common term for the market consensus value of the required return on a stock.

- a) dividend payout ratio
- b) intrinsic value
- c) market capitalization rate
- d) plowback rate

(lxiv) A combination of various investment products like bonds, shares, securities, mutual funds and so on is called as _____

- a) Portfolio
- b) Investment
- c) Speculation
- d) Gambling

(lxv) Investing in different asset and securities of many companies in an attempt to reduce the overall investment risk is known as _____.

- a) Portfolio selection
- b) Portfolio Revision
- c) Portfolio diversification
- d) None of these

(lxvi) The main objective of portfolio is to reduce _____ by diversification.

- a) Return
- b) Risk
- c) Uncertainty
- d) Percentage

(lxvii) Who concern with relations between security returns

- a) Markowitz diversification
- b) Random diversification
- c) Friedman diversification
- d) Correlating diversification

(lxviii) _____ describes the relationship between systematic risk and expected return for assets, particularly stocks.

- a) CAPM
- b) PERT

c) Sharp ratio

d) Treynor ratio

(lxix) The company which sets up a mutual fund is called _____.

a) Sponsor company

b) Asset management company

c) Mutual fund company

d) Trustee company

(lxx) The _____ is nothing but the intrinsic value of each unit of a mutual fund.

a) Net asset value

b) Net accumulated value

c) Net associated value

d) none of these