



BRAINWARE UNIVERSITY

Term End Examination 2021 - 22

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

Course Name – Fundamentals of Investment

Course Code - BCMD603A

(Semester VI)

Time allotted : 1 Hrs.15 Min.

Full Marks : 60

[The figure in the margin indicates full marks.]

Group-A

(Multiple Choice Type Question)

1 x 60=60

Choose the correct alternative from the following :

- (1) Stock exchange is

a) Primary market	b) Secondary market
c) Money market	d) None of these
- (2) Which of the following is outside the purview of investment class?

a) Fixed deposits	b) Recurring deposits
c) Savings bank deposits	d) Current account deposits
- (3) Money market instruments are

a) Treasury bills	b) Certificate of deposit
c) Commercial paper	d) all of these
- (4) Rising of prices and falling of standard of living is arises at the time of

a) Inflation	b) Boom period
c) Normal period	d) Deflation
- (5) 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
- (6) An investor purchased an equity share on 1.1.2020 by Rs.20 and sold the share on 31.12.2020 at Rs.25. What is the holding period return?

a) 25%	b) 50%
c) 20%	d) 10%
- (7) Value of correlation coefficient lies between

a) -1 to +1	b) 0 to +1
c) -2 to +2	d) 0 to -1
- (8) Holding period return of a share for year 1 to 3 are 10%, 15% and 20% respectively. W

What is the average return of the share?

- a) 10%
- b) 20%
- c) 15%
- d) 12%

(9) An investor creates a portfolio of stock A and stock B in a mix of 60% and 40%. The expected return of stocks A and B are 20% and 10% respectively. The portfolio expected return will be

- a) 20%
- b) 10%
- c) 16%
- d) None of the above

(10) If Rs.200 is invested at a compounding rate of 6%, the future value of the investment will become Rs. _____ after 3 years

- a) Rs. 238
- b) Rs. 250
- c) Rs. 200
- d) None of the above

(11) Mutual funds in India are constituted as

- a) Trust
- b) Company
- c) Charitable society
- d) None of the above

(12) An investor committed money for very short period expect

- a) Return from price fluctuation .
- b) Dividend
- c) Benefit from both price variation and dividend
- d) None of these

(13) Unsystematic risk may arise due to the following reason

- a) Change in interest rate
- b) Increase in population
- c) Employee strike in the company
- d) Exchange rate fluctuations

(14) Total risk includes-----

- a) Systematic risk only
- b) Unsystematic risk only
- c) Both a and b above
- d) Only diversifiable risk

(15) Treasury bills are traded in the _____

- a) Money market
- b) Capital market .
- c) Government market.
- d) Regulated market

(16) In order to determine the expected return of a portfolio, all of the following must be known except _____

- a) Probabilities of expected returns of individual assets
- b) Weight of each individual asset to total portfolio value
- c) Expected return of each individual asset
- d) All of the above must be known in order to determine the expected return of a portfolio

(17) Which of the following is true regarding the expected return of a portfolio?

- a) It is a weighted average only for stock portfolios.
- b) It cannot be determined without the individual weights.
- c) It can never be above the highest individual return.
- d) All of the above are true.

(18) The relevant risk for a well-diversified portfolio is _____

- a) Interest rate risk
- b) Inflation risk
- c) Business risk
- d) Market risk

(19) Standard deviation determine

- a) Systematic risk of a security
- b) Unsystematic risk of security
- c) Total risk of security
- d) Premium of security

(20) Which of the following is correct formula to calculate returns of listed security?

- a) $[(P1 - P0) + D] \div P0 \times 100$
 b) $[(P0 - P1) + D] \div [P0 \times 100]$
 c) $[(P1 - P0) - D] \div [P0 \times 100]$
 d) $[(P1 - P0) + D (1 - t)] \div [P0 \times 100]$
- (21) If probability of occurrence is assigned, then the expected return would be
- a) average return being assigned to return of security for the various scenarios
 b) weighted average of probabilities being assigned to return of security for the various scenarios
 c) weighted average return with probabilities being assigned to return of security for the various scenarios
 d) weighted average return multiplied by risk with probabilities being assigned to return of security for the various scenarios
- (22) Investment with lower standard deviation carries
- a) High risk
 b) Less risk
 c) Infinite risk
 d) Avoidable risk
- (23) Liquidity risk
- a) is risk investments bankers face
 b) is lower for small companies
 c) is risk associated with secondary market transactions
 d) increases whenever interest rates increases
- (24) An investor invests in multiple assets at a time, known as a _____.
- a) Securities
 b) Block of Assets
 c) Portfolio
 d) None of these
- (25) Dividends are paid -
- a) monthly
 b) quarterly
 c) half yearly
 d) yearly
- (26) How many companies are included in the SENSEX of India?
- a) 30
 b) 50
 c) 110
 d) 25
- (27) Which of the following is not a credit rating agency?
- a) CRISIL
 b) ICRA
 c) NIKKEI
 d) CARE
- (28) Which of the following term does not belong to the stock exchange?
- a) NAV
 b) NSE
 c) IPO
 d) KPO
- (29) The type of market in which securities with less than one year maturity are traded, is classified as
- a) money market
 b) capital market
 c) transaction market
 d) global market
- (30) The markets in which new securities are issued by the corporations to raise funds are called
- a) primary markets
 b) secondary markets
 c) Gross markets
 d) proceeds markets
- (31) Which of the following statement is NOT correct about the SEBI?
- a) At present it is a non statutory body
 b) At present it is a statutory body
 c) It got statutory powers by an ordinance in 1992
 d) SEBI is managed by 6 members
- (32) KYC means -
- a) Know your customer
 b) Know your character
 c) Both of these
 d) None of these

- (33) Investment is the _____
- a) Net addition made to person's capital stock
 - b) Person's commitment to buy a flat or house
 - c) Employment of funds on assets to earn returns
 - d) Employment of funds on goods and services that are used in production process
- (34) Investors agree to invest in high- risk investments if only
- a) There are any true speculations
 - b) The predicted return is satisfactory for taking a risk
 - c) There are no safe options except for holding cash
 - d) The return is short
- (35) _____ is based on tips, rumors and hunches, unplanned and without knowledge of the exact nature of risk
- a) Investment
 - b) Speculation
 - c) Gambling
 - d) Arbitrage
- (36) Risk due to internal environment of a firm or those affecting particular industry are referred to as _____
- a) Unsystematic risk
 - b) Systematic risk
 - c) Normal risk
 - d) Abnormal risk
- (37) Technical analysis is useful _____
- a) To make an estimate of growth in a stock market
 - b) To find out the market forces influencing stock market
 - c) To indicate the direction of the overall market
 - d) To analyze the economic activity of government
- (38) Financial Assets are -
- a) Pieces of paper representing an indirect claim to real assets in form of debt or equity commitments.
 - b) Tangible, material things such as buildings, furniture, automobiles etc.
 - c) Both of these
 - d) None of these
- (39) CAMP stands for _____.
- a) capital asset pricing model
 - b) capital assessment pricing model
 - c) capital asset placement model
 - d) none of these
- (40) _____ is not a money market instrument.
- a) certificates of deposit
 - b) Savings
 - c) a treasury bond
 - d) commercial paper
- (41) Investment is the _____.
- a) net additions made to the nations capital stocks
 - b) persons commitment to buy a flat or house
 - c) employment of funds on assets to earn returns
 - d) employment of funds on goods and services that are used in production process
- (42) which one of the following is not a money market securities?
- a) Treasury bills
 - b) Commercial paper
 - c) Certificate of deposit
 - d) National savings certificate
- (43) _____ are financial assets.
- a) Bonds
 - b) Machines
 - c) Stocks
 - d) Both Bond and Securities
- (44) Registrar to the issue _____.
- a) helps in the appointment of lead managers
 - b) drafts the prospectus

(57) Which of the following is not related to overall market variability?

- a) Financial risk
- b) Interest rate risk
- c) Purchasing power risk
- d) Market risk

(58) Political stability is the major factor concerning_____.

- a) exchange risk.
- b) systematic risk
- c) Unsystematic risk
- d) country risk

(59) If interest rates are expected to rise, you would expect_____.

- a) bond prices to fall more than stock prices.
- b) bond prices to rise more than stock prices.
- c) stock prices to fall more than bond prices.
- d) stock prices to rise and bond prices to fall.

(60) The First player of the Mutual fund industry was_____.

- a) ICICI MF
- b) UTI MF
- c) SBI MF
- d) LIC MF