

SEMESTER-III

COURSE- B.Com(H)

SUBJECT-Investing in stock market

All Hons, Generic Elective

QUESTION BANK

1. What do you understand by the term investment? How investment is different from Gambling?
2. What are main features of equity and Bonds? Discuss the advantages and disadvantages of Investing in Equity Shares and Bonds?
3. What are the Risk Associated with investing in Bonds?
4. Distinguish between Primary and secondary market of corporate securities?
5. Define the characteristics of securities which are to be included in the construction of market Index?
6. Write a Short note on (a) Margin Money (b) Settlement of trading in secondary Market.
7. What do you understand by the term Risk? Explain its relevance in securities Market.
8. How does term “systematic Risk” is different from “Unsystematic Risk”?
9. What is Risk Mitigation? Discuss the various techniques of Risk Mitigation in securities market?
10. What are the Statistical tools for measuring risk in case of corporate securities, Distinguish between “Business Risk and “Financial Risk”.
11. State the meaning, rational and limitation of the fundamental analysis.
12. What is the top down approach of equity analysis? Explain in Brief.
13. What is Dupont analysis? Explain its utilities in making comparative financial ratio analysis.
14. Explain the following terms (a) technical analysis (b) Dow Theory (c) Charting Techniques.
15. Mutual funds is an indirect investment” Examine the term in the light of feature and advantages of mutual funds.
16. Write a short note the following – (A) Open ended and close ended funds. (B) Growth funds and Balanced Funds (C) load and no Load funds.
17. What is ETF? How it is different from conventional mutual funds?
18. Discuss various factors affecting choice of mutual funds? How can one invest in a mutual funds?
19. What are financial derivatives? Differentiate between futures and options instruments.
20. Differentiate between (a) call and Put option (b) American option and European option.
21. Explain in detail the trading, clearing, and settlement mechanism of Indian future and options market.
22. Explain how commodity derivatives are useful to hedgers, speculators, and arbitragers. Illustrate with examples.
23. Difference between (a) Short hedge and long hedge (b) Strategies used for under priced and overpriced commodity futures.

24. Arbitrage process in commodity derivatives will ensure parity between commodity's spot price and future price." Do you agree with the statement? Explain arbitrage create risk less profits?
25. What is foreign currency Risk? How can currency derivatives be used to hedge it?
26. Explain the interest rate parity. What is its relevance for currency futures?
27. Write a short note on following (A) currency Pair (B) contract Specification (C) Settlement of currency Derivatives.
28. What is Exit load? How does it affect return to the investors?
29. What do you mean by company analysis? Explain the main factors necessary to analyse the overall performance of a company.
30. What do you mean by financial intermediaries? Explain their role in primary and secondary markets.
- A. The return on securities X and Y under different market situations are given below

Condition of the market	Probability of return	Possible return	
		X	Y
BULL	0.3	18	30
NORMAL	0.4	15	12
BEAR	0.3	12	18

Find the risk and return associated with both the securities. Which security should an investor chose and why?

- B. A mutual Fund accumulated Rs 1500000 by issuing 100000 unis in the beginning of a financial year. It invested Rs 1100000 in the corporate securities whose present price and the price at which mutual fund invested is given along with the return generated to the mutual fund from these securities.

Investment	Value at the beginning	Value at the end	Income
Equity	500000	600000	75000
Debenture	600000	500000	72000

- C. Following information is available in respect of a mutual fund:

Particulars	Amount (in Rupees)
6% Debentures	1000000
9% Government bonds	900000
Equity capital (50000 Equity Shares of Rs 100 Each)	5000000
Total	6900000

During the year, the mutual fund received dividends of Rs 10,00,000 on equity shares, interest on debentures and bonds were received. Operating expense incurred during the year were Rs 6,00,000. What would be the NAV of the mutual fund.

- D. An Indian Importer has to make payment of JPY 20,00,000 to his Japanese vendor after two months. However e fears an appreciation in Japanese yen from JPY-INR 0.85 to JPY-INR 0.95 in near future.
- What risk does it pose to the importer ?
 - How can he hedge this risk ?
 - How many future contract shall he buy if a 2 -month JPY- INR contract is available at 0.87? Lot size is 100000 JPY.

- d. Calculate the net cost of import of on expiry both spot and futures price are ar JPY-INR 0.92.
- E. One month aluminium future contract has a fair value of Rs 2005, while it is currently trading at Rs 2000 in the futures segment. In the spot segment, market price of a aluminium is Rs 2015, how will an arbitrage capitalize on this opportunity.
- F. In case of an open ended mutual fund scheme the market price (Ex Divident) was Rs 75. A dividend of Rs 15 has just been paid and ex dividend price now is Rs 95. What return has been earned over the past year?