

B.COM – BANKING AND INSURANCE
17 UBI 516 – INVESTMENT MANAGEMENT
UNIT – I

K1- LEVEL

MULTIPLE CHOICE QUESTIONS (K1- LEVEL)

1. Employment of funds with the aim of achieving additional income is known as____
a) Investment b) Speculation c) Gambling d) Biting
2. _____ is based on tips, rumours and hunches, unplanned and without knowledge of the exact nature of risk.
a) Investment b) Speculation **c) Gambling** d) Arbitrage
3. A National Commodity and Derivatives Exchange Ltd (NCDEX) has been set up in India in _____
a) 2000 **b) 2003** c) 2005 d) 2010
4. Buying low and selling high, making a large capital gain is associated with _____
a) Investment **b) Speculation** c) Gambling d) Arbitrage
5. Horse racing, game of cards, lottery are the typical examples of _____
a) Investment b) Speculation **c) Gambling** d) Arbitrage
6. Investment in which principal amount and the terminal value are known with certainty is _____
a) Fixed principal investment b) Variable principal investment
c) Non – security investment d) Indirect investment
7. Which one of the following is known as indirect investment alternatives?
_____.
a) Cash b) Equity shares **c) Pension Fund** d) Antiques
8. Investment in which the terminal value are not known with certainty is _____
a) Fixed principal investment **b) Variable principal securities** c) Non – security investment d) Indirect investment
9. _____ refers to direct ownership investments in new or growing business before firms sell securities on a public basis.
a) Business ventures b) Private companies c) Limited companies d) Partnership

10. 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

UNIT – II

MULTIPLE CHOICE QUESTIONS (K1- LEVEL)

1. _____ risks cover the risk of market, interest rate risk and purchasing power risk.
a) **Systematic** b) Unsystematic risk c) Financial d) Business
2. 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
3. _____ is a non – diversifiable risk.
a) Unsystematic risk b) **Systematic risk** c) Normal risk d) Abnormal risk
4. _____ risk is associated with the security market, as well as the economic, sociological, political and legal consideration of the prices of all securities in the economy.
a) Unsystematic risk b) **Systematic risk** c) Normal risk d) Abnormal risk
5. Labour strike, consumer preferences and management policies are making to arises out of uncertainty is known as _____
a) Systematic b) **Unsystematic risk** c) Financial d) Business
6. Purchasing power risk is also known as _____
a) **Inflation risk** b) Business risk c) Financial risk d) Market risk
7. _____ risk can be identified through rise and decline of total revenues as indicated in the firm's earnings before interest and taxes.
a) **Internal business risk** b) External business risk c) Market risk d) Interest rate risk
8. ROI denotes _____
a) **Return on Investment**
b) Return on Interest
c) Return on Income
d) Risk on Investment
9. Variance calculation and measuring the Standard deviation is one way of measuring the _____

- a) **Risk** b) Return c) Speculation d) Gambling
10. _____ describes the occurrence of all possible outcomes of an event and the probability of occurrence of each outcome.
- a) Probability distribution b) Index numbers c) Correlation d) Regression

UNIT – III

MULTIPLE CHOICE QUESTIONS (K1- LEVEL)

- Who is called a father of fundamental analysis _____
a) **Benjamin Graham** b) Timbergen c) William d) Elliot Wave
- The diffusion index is also called as _____
a) **Census** b) Barometer c) Opportunistic model building d) Economic model building
- The indicators are identified with consumer price index, capital expenses and commercial paper rates are known as _____
a) Leading indicators b) coincidental indicators c) **Lagging indicators** d) None of these
- _____ is the mathematical and statistical application to forecast the future trend of the economy.
a) **Economic model building** b) Opportunistic model building c) Diffusion indexes d) Indicators
- _____ results are approximate because it is based on beliefs, intentions and future budgeting of the government.
a) **Surveys** b) Opportunistic model building c) Diffusion indexes d) Indicators
- _____ analysis is a study of the variables that influence the future of a firm both qualitatively and quantitatively for
- The fundamental analysis approach has been associated with _____.
a) **Uncertainties** b) Certainties c) Ratios d) Balance sheet
- _____ is a method which combines the different indicators into one total measure and it gives weaknesses and strengths of a particular time series of data.

- a) Surveys b) Opportunistic model building **c) Diffusion indexes** d) Indicators

9. During the _____ stage many new firms enter into market, the firms earn high profit, all firms compete with each other and only a few efficient firms are left to run the business and most of the other firms are wiped out.

- a) Pioneering stage** b) Expansion stage c) Stagnation stage d) Declining stage

10. _____ analysis refers to the study of the variables that influence the future of a firm both qualitatively and quantitatively.

- a) Company analysis** b) Industry analysis c) Technical analysis
d) Economic analysis

UNIT – IV

MULTIPLE CHOICE QUESTIONS (K1- LEVEL)

- Technical analysis is useful _____
 - To make an estimate of growth in a stock market
 - To find out the market forces influencing stock market
 - To indicate the direction of the overall market**
 - To analyze the economic activity of government.
- The Dow theory was developed by _____
 - Stock broker by the name of Dow
 - An editor of Wall Street Journal by the name of Dow**
 - It was developed by Markowitz and Dow
 - It was developed by Sharpe.
- In Dow theory, secondary movements are those which last only for a short while and are also known as _____
 - Corrections**
 - Random wiggles
 - Narrow movements
 - Fluctuations.
- The narrow movement is called fluctuations are _____
 - Random Wiggles**
 - Corrections
 - Primary trends
 - None of these
- The peak price of the stock is called the _____
 - Resistance area**
 - Support area
 - Head
 - Shoulder
- According to technical analysts the support area denotes the _____ signal
 - Sell signal**
 - Buy signal
 - Exchange signal
 - None of these

7. Elliott wave explains long-term pattern of price behaviour of share prices in the major patterns in _____.
 a) **Five successive waves** b) Three successive waves c) Two successive wave
 d) Four successive waves
8. Markowitz efficient hypothesis initiated in _____.
 a) 1958 b) 1959 c) 1961 d) **1960**
9. Markowitz model presumed generally investors are
 a) **Risk averse** b) Risk natural c) Risk seekers d) Risk moderate
10. A chart that has open, high, low and close data sets in a vertical line is known as _____.
 a) **Bar or OHLC chart** b) Line chart c) Candle stick chart d) Point and figure chart

UNIT – V

SECTION - A

MULTIPLE CHOICE QUESTIONS – K1 LEVEL

1. 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
2. The process by which one choose the securities, derivatives and other assets include in a portfolio is known as _____.
 a) **Portfolio selection** b) Portfolio Revision c) Portfolio diversification d) None of these
3. The process of addition of more assets in an existing portfolio or changing the ratio of funds invested is called as _____ -
 a) Portfolio selection b) **Portfolio Revision** c) Portfolio diversification d) None of these
4. 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
5. Investing in similar types companies of investments in a portfolio is known as _____.

- a) **Horizontal diversification** b) Vertical diversification c) Circle diversification d) None of these
6. Which type of market efficiency declares that current security prices totally reflect all information, equally public and private
- a) Weak b) Semi-strong **c) Strong** d) None of these
7. The main objective of portfolio is to reduce _____ by diversification.
- a) Return **b) Risk** c) Uncertainty d) Percentage
8. Who concern with relations between security returns
- a) Markowitz diversification** b) Random diversification c) Friedman diversification d) Correlating diversification
9. Asset allocation is procedure of scattering your assets between numerous different kinds of investments to
- a) Highest risk b) Moderate risk **c) Lessen risk** d) No risk
10. _____ describes the relationship between systematic risk and expected return for assets, particularly stocks
- a) CAPM** b) PERT c) Sharp ratio d) Treynor ratio

K2 – LEVEL

SHORT ANSWERS. (K2 – LEVEL)

1. What is mean by Investment?

From the point of view of people who invest their funds, they are the suppliers of 'capital' and in their view investment is a commitment of a person's funds to derive future income in the form of interest, dividends, rent, premiums, pension benefits or the appreciation of the value of their principal capital.

2. What is financial meaning of Investment?

To the financial investor, it is not important whether money is invested for a productive use or for the purchase of second hand instruments such as existing shares and stocks listed on the stock exchange. Most investments are considered to be transfers of financial assets from one person to another.

3. Write the economic meaning of Investment.

To the economist, Investment' means the net addition to the economy's capital stock which consists of goods and service that are used in the production of other goods and services. In this context, the term investment implies the formation of new and productive capital in the form of new construction, new producers durable equipment such as plant and equipment. Inventories and human capital are included in the economist's definition of investment.

4. List out the indirect investment alternatives.

Indirect investments are those in which the individual has no direct hold on the amount he invests.

Pension fund, Provident fund, Insurance, Investment companies and Unit Trust of India and other trust funds.

5. List out the Non-security investments.

Non – security investments differ from securities in other categories.

- Real estate – it may be the ownership of a single home or include residential and commercial properties.
- Mortgages – it represent the financing of real estate.
- Commodities, Business ventures, Art, Antiques and other valuables such as silver, fine china and jewels.

6. Write the stages in investment process?

The investment process is generally described in four stages. These stages are

- Investment Policy
- Investment analysis
- Valuation of Securities
- Portfolio construction

7. What are the main features of an investment program?

The features of investment program consists of

- Safety of principal
- Liquidity,
- Income stability,
- Appreciation and purchasing power stability
- Legality and Freedom from care
- Tangibility

8. List the main difference between investment and speculation.

Investment is distinguished from speculation in three ways which are based on the factors of

- Risk,
- Capital gains and
- Time period.

9. Write any four importances of investments?

Investments are both important and useful in the context of present – day conditions.

Some factors that have made investment decisions increasingly important are

- Longer life expectancy
- Taxation
- Interest rates
- Inflation
- Income

10. Write the main objective of Investment?

The objectives of investment are to achieve a good rate of return in the future, reducing risk to get a good return, liquidity in time of emergencies, safety of funds by selecting the right avenues of investments and a hedge against inflation.

SHORT ANSWERS. (K2 – LEVEL)

1. **Write the difference between risk and uncertainty.**

Risk can be defined as a situation where the possible consequences of the decision that is to be taken are known. Uncertainty is generally defined in apply to situations where probabilities cannot be estimated. However risk and uncertainty are used interchangeably.

2. **What is mean by market risk?**

Market risk is referred to as stock variability due to changes in investor's attitudes and expectations. The investor's reaction towards tangible and intangible events is the chief cause affecting market risk. Tangible events have a real basis but the intangible events are based on a psychological basis or reaction to expectation or realities. Market risk can be reduced but not eliminated.

3. **What is mean by purchasing power risk?**

This risk arises out of change in the prices of goods and services and technically it covers both inflation and deflation periods.

4. **Name the types of price movement in stock market.**

There are four types of movements in prices of stocks in the market. These may be termed as

Long – term, cyclical (bull and bear), intermediate or within the cycle and short – term.

5. **List out factors associated with external business risk.**

- Business cycle
- Demographic factors
- Political policies
- Monetary policy
- Environment

6. **Name the risk associated with the external environment of the firm.**

- Market risk
- Interest rate risk
- Purchasing power risk

7. **Write the traditional method of measuring the returns.**

Computation of yield to measure a financial asset's return is the simplest and oldest technique of measurement. Yield can be both expected or estimated and actual for a particular period.

The formula used to find yield is

- a) $\text{Estimated Yield} = \text{Expected cash income} / \text{current price of asset}$
- b) $\text{Actual Yield} = \text{Cash income} / \text{Amount invested}$

8. What is mean by holding period method?

This method is better method measures return through the holding period yield. This measure appears more rational and clearly defined. It serves two purposes

- a) It measures the total return per rupee of the original investment and
- b) through this method comparisons can be drawn of any asset's expected return.

An asset can be compared with another both historically and for future periods.

9. What is mean by Return on Investment (ROI)?

Return on Investment measures the gain or loss generated on an investment relative to the amount of money invested. ROI is usually expressed as a percentage and it typically used for personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments.

10. Name the methods used for measuring the return on investment.

- a) Measure the central tendency
- b) Measure of Dispersion
- c) Holding period Yield (HPY) method
- d) Estimated yield and actual yield method

SHORT ANSWERS

1. What is fundamental analysis?

Fundamental analysis is the examination of the underlying forces that affect the well being of the economy, industry groups, and companies. To forecast future stock prices, fundamental analysis combines economic, industry, and company analysis to derive a stock's current fair value and forecast future value.

2. What is economic analysis?

Economic analysis is the study of economic systems. It may also be a study of a production process or an industry. The analysis aims to determine how effectively the economy or something within it is operating. They measure, in monetary terms, what the benefits of a project are to the economy or community.

3. Name the various key economic factors indicated in economic forecasting.

- Labour
- Government

- Political climate
- Developments in technology
- Availability of finance
- Tax treatment

4. Write the economic indicators noted in forecasting method?

- Leading indicators
- Coincidental indicators
- Lagging indicators

5. What is mean by leading indicators?

The leading indicators help us to assess the future course of action. The leading indexes of an economy relate to a country's fiscal policy, monetary policy, stock prices and state of the capital market, labour productivity, consumer activity and Gross National Product.

6. What is mean by coincidental indicators?

The coincidental indicators are the economic factors relating to employment position in a country and other Gross National Product factors such as the state of industrial production, corporate profits and wholesale and producer price index. Coincidental indicators unlike leading indicators do not indicate the future of the economy but present a fairly accurate picture of the current state of the country.

7. What do you mean by company analysis?

Company analysis is a process carried out by investors to evaluate securities, collecting info related to the company's profile, products and services as well as profitability. A company analysis incorporates basic information about the company, like the mission statement and apparition and the goals and values.

8. What is Industry analysis?

Industry analysis comprises of reviewing the economic, political and market factors which influence the way any industry develops. For continued success and growth it is immensely important for every business to understand the industries in which they operate.

9. Name the various stages in Industry life cycle.

Industry should also be evaluated or analyzed through its life cycle. There are three stages of an industry. "Gordinsky" has defined these stages as the

- Pioneering stage,

- Expansion stage and
- Stagnation stage.

10. Name the tools/ methods used for evaluating the company.

- Inventory Cost Methods
- Depreciation
- Earnings from Regular Operations
- Intangibles
- Earnings per share
- Financial ratios.

SHORT ANSWERS. (K2 – LEVEL)

1. Write the various movements in Dow Theory?

According to 'Dow Theory' the market always has three movements and the movements are simultaneous in nature. These movements may be described as

- The narrow movement – which occurs from day – to –day.
- The short swing – which usually moves for short time like two weeks and extends up to a month.
- The third movement is also the main movement and it covers four years in its duration.

2. What is the use of Elliott Wave theory?

Elliott Wave Theory was developed by R.N. Elliott and popularized by Robert Prechter. This theory asserts that crowd behavior ebbs and flows in clear trends. Based on this ebb and flow, Elliott identified a certain structure to price movements in the financial markets. Elliott wave theory is commonly used form of technical analysis that is applied to stock market charts for the purpose of forecasting the future direction of prices.

3. Write the difference between impulse and corrective waves in Elliott Wave theory.

There are two types of waves: impulse and corrective. Impulse waves move in the direction of the larger degree wave. When the larger degree wave is up, advancing waves are impulsive and declining waves are corrective. When the larger degree wave is down, impulse waves are down and corrective waves are up. Impulse waves, also called motive waves, move with the bigger trend or larger degree wave. Corrective waves move against the larger degree wave.

4. **Name the five successive waves or steps used in Elliott Wave theory.**

Elliott wave explains long-term pattern of price behaviour of share prices. He has termed the major patterns in five successive waves or steps. The first wave is upward, the second steps being downward, the third moving up, fourth moving down and again moving upwards in the fifth wave.

5. **Name the types of charts used in technical analysis.**

The four basic types of charts used in technical analysis i.e Line, Bar, Candlestick and Point- and- figure. In each case the type of chart chosen to record price activity is determined by the amount of information available.

6. **Write the various types of chart patterns used in technical analysis.**

Charts are a means to an end. They help a technical analyst not only to identify stocks which are technically strong or weak but to decide when to buy or sell a stock. the following chart pattern are used to identify the market condition i.e

- Support and resistance Levels
- Head and shoulders configurations
- Triangles, pennants, wedges and flags
- Saucer, Fulcrum, Component Fulcrum, Delayed Ending bottoms....

7. **What is a support and resistance area?**

The peak price of the stock is called the resistance area. After that, the stock moves downwards. Speculators do not usually sell at one peak price. They wait for the next peak. Support area shows the previous low price of stock. if the price goes below previous support area then it penetrates support and stock price will continue to fall. This is also the 'sell' signal. According to technical analysts, an investor should buy when prices go higher than peak level and sell when it is lower than previous low price.

8. **What is Head and Shoulders in chart?**

The Head and Shoulders is a reversal chart pattern that indicates a likely reversal of the trend once it's completed. A Head and Shoulder Top is characterized by three peaks with the middle peak being the highest peak (head) and the two others being lower and roughly equal (shoulders). The lows between these peaks are connected with a trend line (neckline) that represents the key support level to watch for a breakdown and trend reversal. A Head and Shoulder Bottom – or Inverse Head

and Shoulders – is simply the inverse of the Head and Shoulders Top with the neckline being a resistance level to watch for a breakout higher.

9. What is Point and figure charts?

The point and figure charts are represented by Xs and Os. These are more difficult to calculate the stock prices than the line charts and bar charts. These are drawn by the technical analysts to make a forecast of prices and also to find out the trend in prices. It is usually the reversal in trend which can be found out by sub-charts. The price forecasts made by the point and figure charts are called price targets.

10. What is a Candle stick chart?

This is a popular chart and invented by Japanese for Rice futures. This is much similar to Bar chart but different shaped. Data's are represented in candle shape with open, close high and low. Candles are colored in green or white when Open is above close and vice versa. It is the complete chart where all required data is available and can find the bullish or bearish based on candlestick.

SHORT ANSWERS – K2 LEVEL

1. What is mean by Portfolio?

A portfolio is a grouping of financial assets such as stocks, bonds, commodities, currencies and cash equivalents, as well as their fund counterparts, including mutual, exchange-traded and closed funds. A portfolio can also consist of non publicly tradable securities, like real estate, art, and private investments.

2. Name the key elements of portfolio management.

Asset allocation

Diversification

Rebalancing

3. What is mean by portfolio management?

Portfolio management is the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. Portfolio management is all about determining strengths, weaknesses, opportunities and threats in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other trades-offs encountered in the attempt to maximize return at a given appetite for risk.

4. What is sharp ratio?

Sharpe ratio is the measure of risk-adjusted return of a financial portfolio. A portfolio with a higher Sharpe ratio is considered superior relative to its peers. The measure was named after William F Sharpe, a Nobel laureate and professor of finance, emeritus at Stanford University. Sharpe ratio is a measure of excess portfolio return over the risk-free rate relative to its standard deviation. Normally, the 90-day Treasury bill rate is taken as the proxy for risk-free rate. The formula for calculating the Sharpe ratio is $\{R(p) - R(f)\} / s(p)$

5. What is Treynor ratio?

The Treynor Ratio is a portfolio performance measure that adjusts for systematic - "undiversifiable" - risk. In contrast to the Sharpe Ratio, which adjusts return with the standard deviation of the portfolio, the treynor ratio uses the portfolio beta, which is measure of systematic risk. These ratios are concerned with the risk and return performance of a portfolio and are a quotient of return divided by risk. The Treynor Ratio is named for Jack Treynor, an American economist known as one of the developers of the Capital Asset Pricing Model.

6. Write about CAPM model.

The Capital Asset Pricing Model (CAPM) describes the relationship between systematic risk and expected return for assets, particularly stocks. CAPM is widely used throughout finance for pricing risky securities and generating expected returns for assets given the risk of those assets and cost of capital.

7. What is mean by portfolio revision?

The art of changing the mix of securities in a portfolio is called as portfolio revision. The process of addition of more assets in an existing portfolio or changing the ratio of funds invested is called as portfolio revision. The sale and purchase of assets in an existing portfolio over a certain period of time to maximize returns and minimize risk is called as Portfolio revision.

8. List about the various types of portfolio.

- Aggressive portfolio,
- Defensive portfolio,
- The income portfolio,
- The speculative portfolio,
- The hybrid portfolio.

9. What do you mean by Aggressive Portfolio?

Aggressive Portfolio consists of funds that appreciate quickly and guarantee maximum returns to the investor. An aggressive portfolio includes those stocks with a high-risk/high-reward proposition. Stocks in this category typically have a high beta, or sensitivity to the overall market. Higher beta stocks consistently experience larger fluctuations relative to the overall market.

10. What do you mean by Defensive Portfolio

Defensive portfolio consists of securities that do not fluctuate much and remain constant over a period of time. Defensive stocks do not usually carry a high beta and are fairly isolated from broad market movements. Cyclical stocks, on the other hand, are those that are most sensitive to the underlying economic business cycle. For example, during recessionary times, companies that make the basic necessities tend to do better than those focused on fads or luxuries.

K3 LEVEL

SECTION – B

ANSWER THE FOLLOWING QUESTIONS – K3 LEVEL

1. What do you mean by Investment? Differentiate between investment and gambling.
2. Write the economic and financial meaning of investment?
3. Write a short note on forms of business organization.
4. Explain the nature of Investment.
5. Distinguish between real and financial assets.
6. Explain the various steps included in the process of investment.
7. Write a short note on commodity assets.
8. Write the distinction between investment and speculation/
9. Write about Risk – less vs Risky investment.
10. Write the importance of ‘stable currency and stable government’ for making investment.

SECTION - B

ANSWER THE FOLLOWING QUESTIONS – K3 LEVEL

1. What is risk? How do you distinguish between systematic and unsystematic risk?
2. Write the short note on identification of risk.
3. In what way can the relationship of risk and return be established?
4. Explain about the various types of systematic risk associated in making investment.
5. Write the short note on quantitative analysis on risk.
6. What are various kinds of risk that are to be considered while investment?
7. Distinguish between interest rate risk and purchasing power risk.
8. Write the short note on business risk? Differentiate between internal and external business risk.
9. Why is return an important consideration for investment? Can it be measured?
10. Explain the Return on Investment?

SECTION - B

ANSWER THE FOLLOWING QUESTIONS – K3 LEVEL

1. How is a fundamental analysis useful to a prospective investor?
2. What is meant by economic analysis? Describe the factors of investment process in economic analysis.

3. Explain about the various economic indicators used while making an economic analysis.
4. What is meant by fundamental analysis? How does fundamental analysis differ from technical analysis?
5. Write a short note on i) Economic model building and ii) Opportunistic model building.
6. Explain the reasons for stagnation stage in industry analysis.
7. Why company analysis is important while making an investment – Discuss.
8. Distinguish between a) Dividend and Yield b) Market value and Book value of shares.
9. Is intrinsic value of a share important? How would you calculate it?
10. Discuss the factors considered to be most important in appraising companies in different industries.

SECTION - B

ANSWER THE FOLLOWING QUESTIONS – K3 LEVEL

1. What is mean by technical analysis? Describe the basic assumptions of technical analysis.
2. Discuss any two witchcraft variety indicators used by the technicians.
3. Define technical analysis and contrast it with fundamental analysis.
4. Discuss the basic tools used by technical analysts.
5. Write a short note on Elliott wave principle.
6. Write the difference between Bar chart and Line chart?
7. What are the strengths and weaknesses of the Markowitz approach?
8. List two factors that determine the magnitude of the increment on a point and figure chart.
9. Explain about the disadvantages of technical analysis.
10. What are Charts? How are they interpreted in technical analysis?

SECTION - B

ANSWER THE FOLLOWING QUESTIONS – K3 LEVEL

1. What is Portfolio management? Write the elements of Portfolio management?
2. Explain about main principles of portfolio investment process.
3. Why portfolio selection is important for investment? List out the methods used in portfolio selection?

4. Write a short note on Portfolio Construction.
5. Explain the concept and process of portfolio analysis?
6. Explain the sharp index model? How does it differ from the Markowitz model?
7. Write the short note on trainer ratio.
8. Explain how many assets are needed to achieve the benefits of portfolio diversification.
9. Discuss possible barriers to portfolio diversification.
10. Explain the CAPM theory and its validity in the stock market?

K4, K5 LEVEL

SECTION –C

ANSWER THE FOLLOWING QUESTIONS – K4, K5 LEVEL

1. Why do people invest? What are the factors which are favourable for making investment in an economy?
2. Discuss the different channels or alternatives available to an investor for making investments?
3. Describe the features of an investment program. What steps should an investor follow to make an investment?
4. Distinguish between investment, speculation and gambling. What is the usefulness of a sound investment plan?
5. Discuss the role of financial institutions and services in making investment.

SECTION - C

ANSWER THE FOLLOWING QUESTIONS – K4, K5 LEVEL

1. 'Systematic risk cannot be controlled but unsystematic can be reduced'. Elaborate.
2. What is financial risk? Is it possible to reduce it while planning an organization?
3. 'Most investors are risk averse'. Elaborate.
4. What are the factors that determine returns? Describe the various methods of measuring returns.
5. What is the meaning of 'Holding Period Yield'? How is it useful in measuring return?

SECTION - C

ANSWER THE FOLLOWING QUESTIONS – K4, K5 LEVEL

1. What is mean by economic analysis? Discuss the basic forecasting techniques used in economic analysis.
2. Explain about the concept of an industry analysis? Describe the various stages in industry life cycle.
3. What is the meaning of company analysis? What financial statements in your opinion are helpful in undertaking the company's prospects?
4. Discuss the various methods followed while analyzing the Company.
5. Describe the factors influencing in Industry Analysis.

SECTION - C

ANSWER THE FOLLOWING QUESTIONS – K4, K5 LEVEL

1. “A technical analyst explains that the stock market acts like a barometer rather than a thermometer”. Elaborate.
2. Technical analysis is based on Dow Jones Theory – Elucidate.
3. Critically examine the Elliot Wave Principle (EWP) on stock market prediction.
4. Summarize the empirical evidence regarding the effectiveness of technical analysis.
5. Discuss the various types of charts used by chartists to predict the prices and volumes for their analysis of the stock market and individual stocks.

SECTION - C

ANSWER THE FOLLOWING QUESTIONS – K4, K5 LEVEL

1. What is mean by portfolio revision? Discuss the importance of portfolio revision.
2. Describe the various methods of portfolio diversification.
3. Discuss the importance of performance evaluation of portfolio.
4. Describe the various Methods of portfolio diversification.
5. What is the basic assumption of CAPM? What are the advantages adopting CAPM model in portfolio management?
