DEPARTMENT OF BUSINESS ADMINISTRATION (BBA)

18UBM619 INVESTMENT AND PORTFOLIO MANAGEMENT (K1-QUESTION)

UNIT -I

1. Investments is the
   a) Net additions made to the nations capital stocks
   b) Person's commitment to buy a flat or a house
   c) Employment of funds on assets to earn returns
   d) Employment of funds on goods and services that are used in production process
2. Speculator is a person
   a) Who evaluates the performance of the company
   b) who uses his own funds only
   c) who is willing to take high risk for high return
   d) who considers here says and market behaviors
3. To frame the investment policythe investor should have
   a) Knowledge about the company and brokers
   b) Investible funds
   c) Knowledge about the investment alternatives
   d) Knowledge about the markets with funds
4. Financial intermediaries'------
   a) Do not invest in new long-term securities
   b) Include insurance companies and pension funds
   c) Include the national and regional stock exchanges
   d) Are usually underwriting syndicates
5. Zero coupon bonds has its origin in
   a) U.S. Security market
   b) Japan's security market
   c) Wall Street
   d) Dalal street
6. Capital index bonds are linked with
   a) BSE Sensex
   b) Consumer price index
   c) NSE Nifty
   d) BSE- 100

7. If a bond is trading at a discount from its face value
   a) Its coupon rate must be less than its yield to maturity
   b) Its coupon rate must be greater than its yield to maturity
   c) its coupon rate must be equal to its yield to maturity

d) None of these

8. The mutual funds that are listed in the stock exchanges are

a) Closed-end funds

b) Open -end funds

c) Stock indexed funds

d) Growth schemes

9. The investors by investing in the mutual funds get

a) Professional management

b) Return potential

c) Diversification

d) All of the above

10. Mutual fund can make investment

a) In any company listed or unlisted

b)In privately placed securities of associated company

c) Up to 40 percent of the listed or unlisted securities of group companies

d) Should not exceed 10 percent of the funds in securities of a single company

11. Investment made on a house property is a

a) Financial investment

b) Economic investment

c) Non-negotiable financial investment

d) Non-financial investment

12.Which one of the following is not a money market security

a) Treasury bills

b) National saving certificates

c) Certificate of deposit

d) Commercial paper

13. Commercial papers are

a) Unsecured promissory notes

b) Secured promissory notes

c) Sold at a premium

d) Issued for a period of 1 to 2 years

14. This particular scheme helps in deferring the tax payment

a) Public Provident Fund

b) National savings Scheme

c) National Saving Certificate

d) Life Insurance Scheme

15. Interval fund is

a) Index fund

b) Open end fund

c) A close end fund
d) A compensation of close and open end fund

16. Index Schemes
a) Return equals to index returns
b) Reflect the market
c) Are income schemes
d) Are tax saving schemes
17. Which of the following markets is associated with long term funds
a) Money market
b) Capital market
c) Stock market
d) Chamber of commerce
18. Primary and secondary markets
a) Compete with each other
b) Complement each other
c) Function independently
d) Control each other
19. If the company offers additional shares to the existing shares, it is called
a) Bonus shares
b) Right issue
c) Both of these
d) None of these
20. Debentures are
a) Non-transferable
b) Transferable
c) None of these
d) All of the above

UNIT -II

21. Equity shareholders rights are listed below, which one of the rights is incorrect
a) Right to have first claim in the case of winding the company
b) Right to vote at the general meeting of the company
c) Right to share profits in the form of the dividends.
d) Right to receive the copy of the statutory report.
22. A person can be
a) A debenture holder and share holder
b) A shareholder cannot be a debenture holder
c) A debenture holder cannot be a shareholder
d) All of the above
23. In BSE shares are divided into

a) Two categories
b) Three categories
c) Four categories
d) Five categories

24. The primary capital market
a) Imparts liquidity and marketability to long term financial instruments
b) Helps companies to raise to finance their projects
c) Provides an auction market for long term securities
d) Operates through the medium of stock exchanges

25. This type of risk is avoidable through proper diversification
a) Portfolio risk
b) Systematic risk
c) Unsystematic risk
d) Total risk

26. Interest rate risk is a type of
a) Credit risk
b) Market risk
c) Operational risk
d) All of the above

27. The risk arises due to change in purchasing power is called
a) Financial risk
b) Interest rate risk
c) Market risk
d) Inflation risk

28. The unsystematic risk is explained by
a) Variance of the index
b) Unexplained variance of the index
c) Explained variance of the index
d) None of these

29. What is the meaning of "financing" in the financial market?
a) Advising an organization to raise charity funds
b) Investing in the securities market
c) Sourcing funds
d) Converting the assets into cash

30. The capital markets consist of the primary market and secondary market. Which of the following statements is TRUE regarding the differences between the two markets?
a) New issues are distributed to investors in the primary market while existing securities are traded in the secondary market.
b) Existing securities are traded in the primary market while new issues are distributed to investors in the secondary market.

c) New issues are traded in the primary market while existing securities are distributed in the secondary market.

d) Existing securities are distributed to investors in the primary market while new issues are traded in the secondary market.

31. The short term financial instruments traded in money market is commonly called

a) Bonds

b) Shares

c) Notes

d) Commercial Papers

32. Most favourable portfolio is proficient portfolio with the

a) lowest risk
b) highest risk
c) highest utility
d) least investment

33. A futures contract

a) Is a direct contract between two parties created to meet the specific needs of the parties

b) Has more counterparty risk than a forward contract

c) Are standardized because they are offered by and traded on an exchange

d) Are used more frequently than swaps e. none of the above

34. An agreement between a buyer and a seller to immediately exchange a specific asset for payment of cash is a

a) forward contract

b) spot contract

c) Futures contract

d) Call option

e) Put option

35. What entity assumes counterparty risk in a futures contract?

a) The exchange upon which the contracts are traded

b) The seller of the contract

c) The buyer of the contract

d) The Commodity Futures Trading Commission

e) The FDIC

36. The buyer of a bond put option

a) Receives a premium in return for standing ready to sell the bond at the exercise price

b) Receives a premium in return for standing ready to buy bonds at the exercise price

c) Pays a premium for the right to sell the underlying bond at the exercise price

d) Pays a premium for the right to buy the underlying bond at the exercise price

e) Pays a premium for the obligation to sell the underlying bond at the exercise price

37. As interest rates increase the writer of a bond call option stands to make

a) limited gains

b) unlimited gains

c) limited losses

d) unlimited losses

38. Which of the following are good strategies to adopt when interest rates are expected to rise?

a) Sell futures

b) write puts

c) write calls

d) buy futures

e) a and c, only

f) b and d, only

39. Which of the following tells you the change in the option price for a $1 change in the underlying bond?

a) open interest

b) volatility

c) time left in the contract

d) delta

e) theta

40. Financial institutions that specialize in assisting corporations in primary market transactions are called _______.

a) mutual funds
b) investment bankers
c) pension funds
d). globalization specialists

UNIT -III

41. Financial assets represent _____ of total assets of U.S. households.

a) over 60%
b) over 90%
c) under 10%
d) about 30%

42. Real assets in the economy include all but which one of the following?

a) Land
b) Buildings
c) Consumer durables
d)_ Common stock

43. ____ is not a derivative security.

a). A share of common stock

b) A call option

c) A futures contract

d) All of the above are derivative securities.

44. __________ assets generate net income to the economy and __________ assets define allocation of income among investors.

a) Financial, financial

b) Financial, real

c) Real, financial

d) Real, real

45. __________ are examples of financial intermediaries.

a) Commercial banks

b) Insurance companies

c) Investment companies

d) All of the above are financial intermediaries

46. Which one of the following best describes the purpose of derivatives markets?

a) Transferring risk from one party to another

b) Investing for a short time period to earn a small rate of return

c) Investing for retirement

d). Earning interest income

47. Security selection refers to the ________.

a) allocation of the investment portfolio across broad asset classes

b)analysis of the value of securities

c) choice of specific securities within each asset class

d) top down method of investing

48. . __________ are real assets.

a) Bonds

b) Production equipment

c) Stocks

d) Commercial paper

49. __________ portfolio construction starts with selecting attractively priced securities.

a) Bottom-up

b)Top-down

c) Upside-down

d) Side-to-side

50. In a capitalist system capital resources are primarily allocated by ____________.

a) governments

b) the SEC

c) financial markets

d) investment bankers

51. The value of a derivative security _________.

A. depends on the value of other related security

B. affects the value of a related security

C. is unrelated to the value of a related security

D. can only be integrated by calculus professors

52. A __________ represents an ownership share in a corporation.

A. call option

B. common stock

C. fixed-income security

D. preferred stock

53. __________ portfolio management calls for holding diversified portfolios without spending effort or resources attempting to improve investment performance through security analysis.

A. Active

B. Momentum

C. Passive

D. Market timing

54. Financial markets allow for all but which one of the following?

A. Shift consumption through time from higher income periods to lower

B. Price securities according to their riskiness

C. Channel funds from lenders of funds to borrowers of funds

D. Allow most participants to routinely earn high returns with low risk

55. Financial intermediaries exist because small investors cannot efficiently _________.

A. diversify their portfolios

B. gather information

C. monitor their portfolios

D. all of the answers provide reasons why

56. Firms that specialize in helping companies raise capital by selling securities to the public are called _________.

A. pension funds

B. investment banks

C. savings banks

D. REITs

57. In securities markets, there should be a risk-return trade-off with higher-risk assets having _________ expected returns than lower-risk assets.

A. higher

B. lower

C. the same

D. Can't tell from the information given

58. Security selection refers to _________.

A. choosing specific securities within each asset-class

B. deciding how much to invest in each asset-class

C. deciding how much to invest in the market portfolio versus the riskless asset

D. deciding how much to hedge

59. An example of a derivative security is _________.

A. a common share of General Motors

B. a call option on Intel stock

C. a Ford bond

D. a U.S. Treasury bond

60. __________ portfolio construction starts with asset allocation.

A. Bottom-up

B. Top-down

C. Upside-down

D. Side-to-side

UNIT -IV

61. The success of common stock investments depends on the success of _________.

A. derivative securities

B. fixed income securities

C. the firm and its real assets

D. government methods of allocating capital

62. Which of the following is not a financial intermediary?

A. a mutual fund

B. an insurance company

C. a real estate brokerage firm

D. a savings and loan company

63. Which of the following is not an example of a financial intermediary?

A. Goldman Sachs

B. Allstate Insurance

C. First Interstate Bank

D. IBM

64. Money Market securities are characterized by ________.

I. maturity less than one year

II. safety of the principal investment

III. low rates of return

A. I only

B. I and II only

C. I and III only

D. I, II and III

65. After much investigation an investor finds that Intel stock is currently under priced. This is an example of ______.

A. asset allocation

B. security analysis

C. top down portfolio management

D. passive management

66. The efficient markets hypothesis suggests that _______.

A. active portfolio management strategies are the most appropriate investment strategies

B. passive portfolio management strategies are the most appropriate investment strategies

C. either active or passive strategies may be appropriate, depending on the expected direction of the market

D. a bottom up approach is the most appropriate investment strategy

67. Securitization refers to the creation of new securities by _________.

A. selling individual cash flows of a security or loan

B. repackaging individual cash flows of a security or loan into a new payment pattern

C. taking an illiquid asset and converting it into a marketable security

D. selling financial services overseas as well as in the U.S.

68. Real assets are ______.

A. are assets used to produce goods and services

B. always the same as financial assets

C. always equal to liabilities

D. claims on company's income

69. An investment advisor has decided to purchase gold, real estate, stocks, and bonds in equal amounts. This decision reflects which part of the investment process?

A. Asset allocation

B. Investment analysis

C. Portfolio analysis

D. Security selection

70. Benchmark portfolio risk is defined as

a) the return difference between the portfolio and the benchmark

b) the variance of the return of the benchmark portfolio

c) the variance of the return difference between the portfolio and the benchmark

d) the variance of the return of the actively-managed portfolio

e) none of the above.

71. Benchmark portfolio risk

a) is inevitable and is never a significant issue in practice.

b) is inevitable and is always a significant issue in practice.

c) cannot be constrained to keep a Treynor-Black portfolio within reasonable weights.

d) can be constrained to keep a Treynor-Black portfolio within reasonable weights.

e) none of the above.

72. Active portfolio management consists of __________.

a) market timing

b) security analysis

c) indexing

d) A and B

e) none of the above

73. Expected worth is the

a)inverse of standard deviation

b) correlation between a security

c) same as discrete probability distribution

d) weighted average of all possible outcomes

74. Liquidity risk is:

a) is risk investments bankers face

b) is lower for small OTC

c) is risk associated with secondary market transactions

d) increases whenever interest rates increases

75. Bondholders usually accept interest payments each

a) 1 year

b) six months

c) 2 months

d) 2 years

76. A price weighted index is an arithmetic mean of

a) future prices
b) current prices
c) quarter prices
d) none of these

77. Which option type allows the user to exercise the option any time prior to expiration?

a. American option

b. Bermudan option
c. European option
d. all of the above

78. Diversification reduces
a) Interest rate risk
b) market risk
c) unique risk
d) inflation risk

79. The slope of the Security Market Line (SML) changes with
a) change in risk free rate of return
b) change in risk attitude of investors
c) change in inflation
d) All of the above

80. clearing and settlement operations of NSE is carried out by
a) National Depository Ltd
b) National security clearing co operation
c) state bank of india
d) By the exchange itself

UNIT -V

81. The statistical tool used to measure the company risk is
a) Mean
b) Median
c) Mode
d)Variance

82**.** The combined liabilities of American households represent approximately ___________ percent of combined assets.
A. 11%
B. 21%
C. 25%
D. 33%

83. What does the market price of a bond depend on?
a. The coupon rate and terms of the indenture
b. The coupon rate and maturity date
c. The terms of the indenture, and maturity date
d. The coupon rate, terms of the indenture, and maturity date

84. While bond prices fluctuate,

a. yields are constant

b. coupons are constant

c. the spread between yields is constant

d. short-term bond prices fluctuate even more

85. If interest rates rise, the price of preferred stock

a. is not affected

b. rises

c. falls

d. may rise or fall

86. Which of the following is an example of a depreciable asset?

a. Land

b. Cash

c. Accounts receivable

d. Equipment

87. The net asset value of a mutual fund investing in stock rises with

a. higher stock prices

b. lower equity values

c. an increased number of shares

d. increased liabilities

88. What is a call?

a. An option to sell stock at a specified price

b. An option to buy stock at a specified price

c. An option to sell stock on a specified date

d. An option to buy stock on a specified date

89. Corporate bond indenture agreements often specify each of the following EXCEPT

a. bond call provisions

b. sinking fund requirements

c. restrictions on the corporation's divided payments

d. assets on which debenture issues are collaterized

90. A collection of assets in which an investor invests is known as a ______.

a. Block of Assets
b. Portfolio
c. Securities
d. All of the above

91. A Finance Company in which a Demat account can be opened is known as ________.

a. Demat Company
b. Depository Consultant
c. Depository Accountant
d. None of the above

92. There are _________ recognized Stock Exchanges in India.

a. 20
b.23
c. 24
d. 25

93. If the number of shares allotted to an Applicant is less than that applied for, the excess application money will be _________.

a. Refunded

b. Adjusted with the call money

c. Either of the above

d. None of the above

94. The ……….. is the fraction of earnings reinvested in the firm

a) dividend payout ratio

b) retention rate

c) plough back ratio

d) Both b and c

95. Book value is also called…..

a) Liquidation ratio

b) replacement cost

c) Market value

d) Tobin's Q

96. As the debt ratio increases,

a. fewer assets are debt-financed, and the ratio of debt-to-equity increases

b. fewer assets are debt-financed, and the ratio of debt-to-equity decreases

c. more assets are debt-financed, and the ratio of debt-to-equity increases

d. more assets are debt-financed, and the ratio of debt-to-equity decreases

97. If you were confident that the price of stock X would drop dramatically within two months, which of the following investment transactions would yield the highest return on your investment?

a. Purchase stock X

b. Sell stock X short

c. Purchase a call on stock X

d. Purchase a put on stock X

98. The market value of the scrip is determined by

a. the dividend declared by the company

b. the present stock market of the company

c.the number of floating shares

d. the interaction of demand and supply

99. The share prices

a. move either in declining or increasing trend

b. may remain flat for a period of time

c. the movements of the share prices from a straight line

d. the increasing or decreasing move may be zigzag

100. In a bull market, a bearish signal is given when

a. advance decline line slopes down

b. BSE sensex is falling

c. fall in the trade volumes

d. A/D line slopes downward while BSE sensex is rising.

****

18UBM619-INVESTMENT AND PORTFOLIO MANAGEMENT

K2 QUESTIONS

UNIT -I

1. What is meant by IPO?
2. Expand OTCEI.
3. Define speculation.
4. What is meant by SCRA?
5. Describe speculation.
6. What are the 5 different types of investments?
7. What are the basics of investing?
8. List the types of risk.
9. Define primary market.
10. Define money market.
11. Explain the importance of investment.
12. Give two difference between investment and speculation.
13. Mention any two features of investment.
14. Define private placement.

UNIT -II

15. Define listing.
16. What is meant by share trading?
17. What are the most liquid investments?
18. Define mutual fund.
19. List the types of mutual funds.
20. Write the concept of investment companies.
21. Give any two differences between primary and secondary market.
22. Expand NSE and give its one feature.
23. Expand BSE and give its one feature.
24. How many companies are listed in BSE and NSE.
25. What is meant by market order?
26. List the types of order

UNIT -III

27. Define Bullion.
28. List the two objectives of LIC.
29. Define bond.
30. Define equity shares.
31. Define preference shares.
32. List the two features of preference shares.
33. Define real estate investment.
34. What is meant by post office schemes?
35. What is the minimum and maximum tenure for Post office time deposit?
36. Explain unit trust of India.
37. What is meant by non commercial investment form.

UNIT -IV

38. Expand CAPM.
39. What is meant by CML?
40. What is meant by SML?
41. What is meant by return from portfolio?
42. List the steps involved in portfolio investment process.
43. List the types of portfolio.
44. Define portfolio.
45. Give some advantages of CAPM.
46. Difference between CML and SML
47. List two objectives of CAPM

UNIT -V

48. Mention the steps involved in portfolio evaluation.
49. Define Swap.
50. What is mean by formula plan?
51. List the types of formula plan.
52. How will you measure the returns from portfolio?
53. List the types of portfolio.
54. Describe Futures.

55. Define options.
56. What is meant by call option?
57. What is meant by put option?

NALLAMUTHU GOUNDER MAHALINGAM COLLEGE, POLLACHI

DEPARTMENT OF BUSINESS ADMINISTRATON

16UBM619-INVESTMENT AND PORTFOLIO MANAGEMENT

ANSWER THE FOLLOWING (K3) QUESTIONS: 5 MARK

UNIT -I

1. Define Economic and Financial definition of investment and explain its objectives.
2. Distinguish between Investment and Speculation.
3. Define risk and explain the types of risk.
4. List and explain the three main functions of Primary Market.
5. Distinguish between New Issue Market and Secondary Market.
6. Explain the regulations of Indian stock market.

UNIT -II

7. Explain Unit Trust of India and its objectives.
8. Write a short note on NSE.
9. Write a short note on BSE.
10. Discover the features of share trading.
11. Discuss the advantages of listing of securities.
12. Analyze the types of orders in share trading.
13. Examine about OTCEI.
14. Explain the producers involved for a company to enter into a stock exchange.
15. "Mutual Funds offer best form of investment." Discuss.
16. Examine the concept of mutual fund.
17. Discuss the concept of Investment Company. What is the difference between closed-end and open-end investment companies?

UNIT -III

18. State the various types of investment companies.
19. Write a brief note on advantages of investing in Life Insurance schemes.
20. Inspect the different post office schemes.
21. What is meant by equity shares and mention its features.
22. Define preference share and explain its features
23. Enumerate the types of Bonds.

24. List out the various mutual funds schemes offered in India.
25. State and explain any four factors determining the return on investment.
26. State the features of OTCEI.
27. Infer the different forms of bank investment schemes.
28. List and elaborate the different types of preference shares.
29. What are the advantages of placing money in bank deposits?
30. Why is return an important consideration for investment?
31. Describe the factors to consider when making a real estate investment.

UNIT -IV

32. Write a short note on Sharpe's portfolio model.
33. Should an investor commit his funds in Bullion? What are the advantages and disadvantages of such an investment?
34. Explain the Principles of portfolio investment planning process.
35. Simplify "Portfolio return".
36. Explain CAPM.
37. Explain the assumptions and advantages of CAPM.
38. Explain the features of CAPM.
39. Analyze the benefits of mutual funds.

UNIT -V

40. Evaluate the methods of measuring Risk.
41. Examine the advanced computing of portfolio.
42. Elaborate the importance of investment.
43. Describe the various methods of measuring return.
44. Write a short note on options.
45. Write a short note on futures.
46. Explain the importance of futures market.
47. Describe the advantages of options.
48. Describe the advantages of Swaps.
49. Explain formula plan and its types.

$$$$$$$$$$$$$$$

NALLAMUTHU GOUNDER MAHALINGAM COLLEGE, POLLACHI

DEPARTMENT OF BUSINESS ADMINISTRATON

18UBM619-INVESTMENT AND PORTFOLIO MANAGEMENT

ANSWER THE FOLLOWING (K4 & K5) QUESTIONS: 8 MARK

UNIT -I

1. Determine the features and advantages of investment.
2. Estimate the requirements of listing of securities for a new company and the companies listed on other exchanges.
3. Discuss in detail about the mechanism of share trading.
4. Justify new issue market, their functions and roles of primary market.
5. Discuss Stock Exchanges in India and its regulatory framework.

UNIT -II

6. Inspect about the regulations of stock market.
7. Examine the different types of mutual funds.
8. Write about secondary market and their functions.
9. Elaborate how SEBI regulates the mutual funds.
10. Who are the players in the OTCEI? Explain the functions of each player.
11. Discuss the role of private placements in raising resources in the primary capital market.

UNIT -III

12. Write a short note on
    a) Sharpe Ratio
    b) Treynor Ratio
    c) Jensen's Alpha
    d) Modigliani- Modigliani
13. Difference between Equity shares and Preference shares.
14. Explain the concept of Real Estate.
15. Explain Unit trust of India.

UNIT -IV

16. Explain the important forms of non-commercial investment.
17. State about CML and SML.
18. Explain Risk-Adjusted measures of portfolio performance.
19. What are the steps taken by SEBI to protect the investors in secondary market?
20. What is meant by portfolio management and construct the process of portfolio management?

UNIT -V

21. What rights and facilities are available to an investor of a mutual fund? What factors should be considered before selecting a mutual fund.
22. Differentiate the futures and options.
23. Describe the various methods of measuring risk.
24. Difference between Security Market Line (SML) and Capital Market Line(CML).
25. Write a short notes on
    a) Options
    b) Swaps
    c) Futures
    d) CAPM
26. Examine the different types of formula plans in portfolio management.

$$