

Q.P. Code : 30075

[Time:  $2\frac{1}{2}$  Hours]

[ Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. **All Questions are compulsory.**
  2. **Figures to the right indicate full marks.**
  3. **Working should form part of the answer.**

**Q. 1 A) Select the correct alternative. (Any 8)**

8

- 1 \_\_\_\_\_ refers to gain or loss on a security in a particular period.  
a. Risk b. Return c. Standard deviation d. Beta
2. Higher the standard deviation, \_\_\_\_\_ is the risk involved in an investment.  
a. higher b. lower c. same d. none
- 3 To calculate the present value of an investment, it's future value should be multiplied by \_\_\_\_\_ factor.  
a. Compounding b. growth c. discounted d. annuity
- 4 \_\_\_\_\_ annual interest rate is the interest rate that is actually earned on an investment as a result of compounding over a given time period.  
a. Current b. Nominal c. Simple d. effective
- 5 \_\_\_\_\_ describe the rate at which an investment would have grown at a steady rate, which virtually never happens.  
a. CAGR b. HPR c. YTM d. IRR
- 6 A \_\_\_\_\_ is not a party to a trust.  
a. Trustee b. beneficiary c. grantor d. karta
- 7 \_\_\_\_\_ risk is also termed as political risk.  
a. Country b. Market c. Systematic d. Business
- 8 \_\_\_\_\_ is not a component of risk profiling.  
a. Risk required b. Risk capacity c. Risk tolerance d. None
- 9 \_\_\_\_\_ is a rate at which central bank lends money to commercial banks.  
a. Repo b. Reverse repo c. CRR d. SLR
- 10 In zero coupon bond, interest rate attached to the bond is \_\_\_\_\_.  
a. 10% b. 9% c. 0% d. 5%

**Q. 1 B) State whether the following statements are true or false. (Any 7)**

7

- 1 A trust is set up through trust deed
- 2 Deflation is the rate at which the general level of prices of goods and services is rising
- 3 Risk and return has indirect relationship
- 4 The primary investment goal of an aggressive investor is capital protection
- 5 Financial assets are easier to sell than non-financial assets, because these assets trade on exchanges
- 6 At 36-45 years of age, investor seeks for a balanced portfolio between debt and equity
- 7 In SMART investment T stands for target
- 8 In HPR formula, the tenure of investment is multiplied with the total gain.
- 9 Value from compound interest is greater than that from simple interest
- 10 One share one vote is a feature of joint stock company

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**Q. 2 Answer the following questions.**

- A) Explain the meaning and features of Joint Stock Company  
 B) What is investment? What are SMART investment goals?

**OR**

- C) Distinguish between Investment and Speculation  
 D) What do you mean by loan? Explain the various types of loans provided by banks

**Q. 3 Answer the following questions**

- A) Mr. has Rs.50,000 for investment to be made on 1st Jan 2002. His estimated cash flow from the given two alternatives are as follows:

Year	Alternative 1	Alternative 2
2002	13000	13500
2003	16000	15500
2004	19000	18700
2005	26000	259000
2006	30000	30000

Advice him whether which project is viable on basis of NPV, considering interest rate of 11%Q

- B) i) Find future value of annuity where three equal yearly payments of Rs.2000 are deposited into an account that yields 7% compound interest  
 ii) Find the present value of Rs.50,000 to be received at the end of 4 years at 12% interest compounded quarterly

**OR**

- C) Ace Ltd is planning to invest in a project having an initial cost of Rs. 2,00,000. The returns from the same are as follows:

Year	Net Returns
1	40,000
2	45,000
3	50,000
4	80,000
5	80,000

The cost of capital is 12%. Calculate IRR and give your suggestion

- D) i) What is the present value of a 4 years annuity of Rs. 8,000 at 12% interest  
 ii) Calculate the compound value when Rs.10,000 are invested for 3 years at 10% interest compounded semi-annually

**Q. 4 Answer the following questions**

- A) Kamlesh buys a car of Rs.8,00,000 on loan at 12% which is to be repaid in 3 years in equal quarterly instalments. Prepare amortisation table.  
 B) The following figures relate to trading activities of Jay Traders for the year ended 31st March, 2017.

Opening Stock	2,50,000
Purchases	10,50,000
Sales	24,00,000
Closing Stock	1,50,000
Administration Expenses	2,30,000
Selling and distribution expenses	1,00,000



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Interest expense	20,000
Profit on sale of investment	50,000

Calculate the following ratios:

- Gross profit ratio
- Net profit ratio
- Operating ratio
- Stock turnover ratio

**OR****C) Balance Sheet for the year ended 31st March, 2017 is as follows.****15**

Liabilities	Amount	Assets	Amount
Equity Share Capital	5,00,000	Goodwill	5,000
12% Preference Share	3,00,000	Plant & Machinery	8,00,000
14% Debentures	50,000	Furniture	25,000
Sundry Creditors	2,50,000	Investments(Trade)	5,000
Provision for tax	50,000	Sundry Debtors	4,00,000
Reserves and Surplus	2,50,000	Stock	2,00,000
Bank Overdraft	1,00,000	Cash	32,000
		Prepaid Expense	13,000
		Preliminary Exp	20,000

Additional Information:

Credit sales is Rs. 8,00,000 and credit purchases are Rs. 6,00,000

Calculate the following ratios:

- Current ratio
- Acid test ratio
- Proprietary ratio
- Debt equity ratio
- Capital-gearing ratio
- Debtors Turnover ratio
- Creditors Turnover ratio

**Q. 5 Answer the following questions****15**

- Explain the different types of investment risk
- What are the different types of asset allocation strategy?

**8****7****OR****C) Write short notes (Any 3)****15**

- Hire Purchase
- Wealth Erosion
- Limited Liability Partnership
- Types of Investment avenues
- Factors determining interest rates

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