VCD/5/12/22 FYBIM   SEM- I   Subject– Basic of Investment & Wealth Creation   2½-HRS   75-MARKS

Note: 1. All questions are compulsory.

Q1 A) Fill in the Blanks (Any 8) **08**

1. Risk tolerance often depends on factors like __________and investment experience. (financial situation, economic growth, financial goals)
2. In inflation risk investment may not keep balance with inflation, causing ________ in purchasing power.
   (decrease, increase, balance)
3. Creating diversified portfolios tailored to investors risk tolerance and investment horizon is known as ___________.
   (review, risk assessment, customized portfolios)
4. Long term investors can consider _______ and real estate for the investment.
   (stocks, Mutual funds, bonds)
5. The primary goal of investing is to grow your _______. (asset, wealth, power)
6. ____________ is on acquiring or upgrading long term asset like equipment and machinery. (capital expenditure, revenue expenditure, income)
7. Diversified portfolio of ______ is managed by professionals.
   (Risk, stock, fund)
8. _______ are funds designed for specific retirement or saving goals with specific time horizon. (target date fund, money market fund, short term investment)
9. Investment refers to _________ of funds, resources or assets with expectation of generating future returns.(allocation, distribution, dividing)
10. An investment is a ________brought with the idea that the asset will provide income.
    (goal, income, financial asset)

(B) **State whether the following statements are True or False (Any 7)** **07**

1. CD offers slightly neutral interest rate than saving account.
2. Investment allows business for growing liability for various business activity.
3. Saving refers to setting aside from your income
4. Diversification of investment in various assets spread risk.
5. Emotion and risk aversion can play a significant role in affecting risk profiling.
6. Risk appetite is the balance between risk tolerance and risk capacity.
7. Understanding the investor psychology does not help to explain market behaviour.
8. Regret aversion investors are those who prefers investment with lower risk and willing to accept lower returns for safety.
9. Individuals short term and long term financial objective can influence risk tolerance.
10. Diversification is one of the factors determining interest rate.

Q2 A. What is debt management? Define its types **08**

B. Explain different form of business ownership **07**

OR

C. Write a note on cash inflow & cash outflow **08**

D. How to prepare income & expenditure statement. **07**

Q.3 A. Mrs. Sanjana has invested Rs.25000 on scheme @ 12% per annum , compounded quarterly. Find out what will the amount become after 2 years. **08**

B. Treasure bonds carry 13% interest. Beta factors may be taken out at 3, the long term market rate of return may be taken at 16.5%. Calculate the cost of equity using CAPM **07**

OR

C. Calculate the internal rate of return by using the following data. Also calculate net present value. The initial outflow is Rs.200,000 and cost of capital is 10%. Cash flow for five years are Rs.35000 Rs.80000,Rs. 90000,Rs. 75000, Rs.20000 respectively. **08**

D. Find out expenditure and also calculate ratio of saving to expenditure if income is 288000 and saving is 36,000. **07**

Q4.A. Ms. Rashi saves Rs.1800 pm from her salary of 14400. Find out the following ratios. a) Income to saving. b) Saving to expenditure. c) Expenditure to income . **08**

B. A deposit of 5000 is made to earn interest at the rate 6.5% per annum. Find out future value of their deposits if compounding period is half yearly. **07**

OR

C. A bank pays 10% per annum interest compounded quarterly. Find out the equal Be made at the end of each quarter for 10 years to have Rs.30,200. **08**

D. Calculate the different liquidity by ratio from the following particulars. **07**
Inventory -1,50,000, Cash - 50,000, Debtors - 3,00,000, Creditors - 3,50,000, Bills Receivable - 30,000, Bank overdraft - 30,000

Q.5 Write a note on the risk tolerance, risk capacity and risk appetite. **15**

OR

Q5. **Short Notes (Any Three)** **15**

1.Factors defining interest rate
2. Write a note on investment objectives.
3. Simple interest rate and compound interest rates.
4. Write a note on wealth erosion
5. Type of risks in investment