[This question paper contains 2 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 3737 **J**

Unique Paper Code : 2924001005

Name of the Paper : Essentials of Financial Investments

Name of the Course : **Generic Electives**

Semester : II

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **five** questions.
3. Attempt **all** parts of a question together.
4. Marks are indicated against each question.

1. (a) Explain the difference between active and passive investing strategies. In what situations is each strategy more effective? (9)

   (b) Outline the steps involved in the investment decision process. How can an investor use this process to make rational investment choices (9)

2. (a) An investor has observed the following performance for Security B and the Market Portfolio M. Using the data, compute the total risk, systematic risk, and unsystematic risk of the security. (12)

Probability	Return of Security B	Return of Market Portfolio
33.33%	13%	10%
33.33%	18%	14%
33.33%	12%	13%

(b) An investor has to choose between two investment options. The following table indicates the risk and return of the two options.

Which stock should the investor prefer, and why?

	Stock X	Stock Y
Return	16%	22%
Risk (Standard Deviation)	8%	13%

(6)

3. (a) Differentiate between Fundamental Analysis and Technical Analysis. Which is more useful for long-term investors and why? (9)

(b) What do you understand by the Efficient Market Hypothesis (EMH)? How does it influence investment strategies? (9)

4. (a) How is the Capital Asset Pricing Model (CAPM) used to determine the required rate of return on equity? Explain with an example. (9)

(b) Explain the types of bonds commonly traded in financial markets. (9)

5. Z Corp. anticipates an annual growth rate of 9% for the upcoming five years, after which it is projected to decline and settle at 5% per annum. The dividend distributed last year amounted to ₹4, and equity investors require a 10% rate of return. Determine the value of the equity share of Z Corp. as on date using the intrinsic value model. (18)

6. Write short notes on **any three** of the followings :

(a) Diversification, Hedging, and Arbitrage - Concepts and Differences

(b) Inflation and its Effect on Investment

(c) Holding Period Return and Effective Annualized Return

(d) Markowitz Model and the Concept of Efficient Frontier

(e) Direct Investing vs. Indirect Investing (6×3=18)