Roll No. ……..

Sl. No. 6515

Unique Paper Code (UPC) : 2924000005/2924001005

Name of the Paper : Essentials of Financial Investments

Name of the Course : Generic Electives (GE)

Semester : IV

Duration : 3 hours

Maximum Marks : 90 Marks

Instructions for Candidates:

1. Attempt any five questions
2. Attempt all parts of a question together
3. Marks are indicated against each question
4. Use of simple calculator is allowed

1.(a) Explain the concept of risk-return trade-off. In what situations may an investor accept lower returns for lower risk? (9)

(b) Discuss the investment decision process and explain how behavioural factors can lead to irrational investment decisions. (9)

2.(a) An investor has observed the following performance of Security A and Market Portfolio M:

Probability	Return of A (%)	Return of Market (%)
0.30	8	6
0.40	14	12
0.30	20	16

Calculate:
i) Expected return of Security A and Market
ii) Total risk (standard deviation) of Security A
iii) Systematic risk

(12)

(b) An investor has to choose between two securities:

Security	Return	Risk (Standard Deviation)
P	14%	6%
Q	18%	11%

Which security should be preferred? Justify using risk-return reasoning. (6)

3. (a)Differentiate between Fundamental Analysis and Technical Analysis. Which approach is more suitable during highly volatile markets? Explain. (9)

(b) Explain the Efficient Market Hypothesis (EMH). Critically examine whether abnormal returns are possible under different forms of EMH. (9)

4. (a) Explain the Capital Asset Pricing Model (CAPM) and compute expected return using the following:

- Risk-free rate = 6%
- Market return = 14%
- Beta of stock = 1.3

(9)

(b) Discuss different types of bonds and explain how interest rate changes affect bond prices. (9)

5. A company paid a dividend of ₹5 last year. Dividends are expected to grow at:

- 10% for next 2 years
- 6% thereafter

Required rate of return = 12%

(a) Calculate the intrinsic value of the share using multi-stage Dividend Discount Model. (12)

(b) Explain how valuation would change if growth rate exceeds required return in the short run. (6)

6. Write short notes on any three of the following:

(a) Diversification vs Hedging
(b) Systematic and Unsystematic Risk
(c) Holding Period Return and Real Return
(d) Markowitz Portfolio Theory and Efficient Frontier
(e) Direct vs Indirect Investing

(3 × 6 = 18)