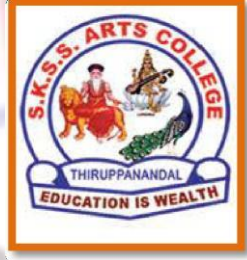




ஸ்ரீ-ல-ஸ்ரீ காசிவாசி சுவாமிநாத சுவாமிகள் கலைக் கல்லூரி
தருப்பனந்தாள் - 612504

S.K.S.S ARTS COLLEGE, THIRUPPANANDAL - 612504



QUESTION BANK

Title of the Paper

INVESTMENT MANAGEMENT

Course: III B.Com., & III B.Com., (CA)

Sub. Code: 16MBECM6 & 16MBECA3

Semester: VI

Prepared by



Dr. M. VANAJA
Assistant Professor
Department of Commerce

Major Based Elective - III
INVESTMENT MANAGEMENT

UNIT – I

Investment – Objective of investment-Investment Vs Speculation - Investment process - Sources of Investments.

UNIT – II

Risk - Systematic and Unsystematic risk - risk and return, Capital and Revenue returns. (Theory Only)

UNIT – III

Bank deposits - Post office saving schemes - Gold and silver - Real estate - Equity shares and Debts - Government Securities - Mutual Funds - Life Insurance and Tax savings Investments.

UNIT – IV

Time Value of Money - Meaning- Current Money Vs Future Money- Present Value Interest Factor (PVIF) - Present Value Interest Factor Annuity (PVIFA) Future Value Interest Factor Annuity (FVIFA).

UNIT – V

Primary Market Vs Secondary Market- Fundamental Analysis- Economic Analysis-Industry Analysis- Company Analysis.



UNIT – I

CHOOSE THE CORRECT ANSWER

1. Investment is the
 - a) Net addition made to the nation's capital stock
 - b) Person's commitment to buy a flat
 - c) Employment of funds on assets to earn return
 - d) Employment of funds on goods and services that are used in production processes
2. Which of the following is not a financial investment?
 - a) Purchase of shares
 - b) Purchase of bonds
 - c) Purchase of car
 - d) Purchase of debentures
3. Which of the following is a tax saving investment?
 - a) Fixed deposit
 - b) Shares
 - c) NSC
 - d) PPF
4. The fundamental analysis approach has been associated with_____.
 - a) Uncertainties
 - b) Certainties
 - c) Ratios
 - d) Balance sheet
5. The object of portfolio is to reduce_____by diversification.
 - a) Return
 - b) Risk
 - c) Uncertainty
 - d) Percentage
6. Investment means
 - a) Commitment of funds for future income
 - b) Net additions to economy capital stock
 - c) Short-term commitment of funds
 - d) Capital gain
7. Bull is a speculator who
 - a) anticipates rise in the price of securities
 - b) anticipates fall in the price of securities
 - c) is not able to meet his commitments
 - d) is bullish in nature
8. Bear is also known as
 - a) Tejiwala
 - b) Stag
 - c) Mandiwala
 - d) LameDuck

9. A gambler is one who makes planned investment
- a) Believes in low risk and high profits
 - b) Considers high risk and high profits
 - c) Expects other people to plan his resources in one best security
 - d) Buying government securities with safety of returns
10. An investor who has a resource constraint
- a) pays no income taxes
 - b) has insufficient funds to purchase a security
 - c) has a relatively high marginal tax rate
 - d) has only one source of income

Answers: 1. (c) 2. (c) 3. (d) 4. (a) 5. (b) 6. (a) 7. (a) 8. (c) 9. (b) 10.(b)

SHORT QUESTIONS (2 MARKS)

- 11. Define Investment
- 12. What is Gambling?
- 13. What is speculation?
- 14. Why do people invest?
- 15. What is portfolio?
- 16. What is an investment decision?
- 17. What is a security?
- 18. Who is called Bull?
- 19. Write short notes on investment process.
- 20. What are the features of investment?

PARAGRAPH QUESTIONS (5 MARKS)

- 21. What are the objectives of investment?
- 22. What is the financial and economic meaning of investment?
- 23. What are the characteristics of good investment?
- 24. Explain the various types of investors.
- 25. Why do people investment? Explain.
- 26. Explain the nature of investment.
- 27. Describe the feature of an investment programme.
- 28. What are the different types of speculators?
- 29. Explain the importance of investment.
- 30. What are the approaches to investment decision-making?

ESSAY QUESTIONS (10 MARKS)

- 31. Describe the various stages of investment.
- 32. Briefly explain the investment alternatives.
- 33. Discuss the various sources of investment alternatives.
- 34. Briefly explain the different kinds of investment.
- 35. Narrate the process of investment.

36. Explain the sources of investment.
37. Differentiate Investment from Speculation
38. What is an investment? What are the objectives of investment?
39. What is an investment decision? What are the approaches to investment decision-making?
40. Distinguish between real and financial assets.

UNIT – II

CHOOSE THE CORRECT ANSWER

1. Risk of two securities with different expected return can be compared with:
 - a) coefficient of variation
 - b) standard deviation of securities
 - c) variance of securities
 - d) none of the above
2. A portfolio having two risky securities can be turned risk less if
 - a) the securities are completely positively correlated
 - b) if the correlation ranges between zero and one
 - c) the securities are completely negatively correlated
 - d) none of the above.
3. Efficient frontier comprises of
 - a) portfolios that have negatively correlated securities
 - b) portfolios that have positively correlated securities
 - c) inefficient portfolios
 - d) efficient portfolios
4. Efficient portfolios can be defined as those portfolios which for a given level of risk provides
 - a) maximum return
 - b) average return
 - c) minimum return
 - d) none of the above
5. Capital market line is:
 - a) capital allocation line of a market portfolio
 - b) capital allocation line of a risk free asset
 - c) both a and b
 - d) none of the above
6. CAPM accounts for:
 - a) Unsystematic risk
 - b) Systematic risk
 - c) both a and b
 - d) none of the above

7. The point of tangency between risk return indifference curves and efficient frontier highlights:
- Optimal portfolio
 - Efficient portfolio
 - Sub-optimal portfolio
 - None of the above
8. The type of risk in which beta is equal to one is classified as
- Multiple risk stock
 - Varied risk stock
 - Total risk stock
 - Average risk stock
9. An expected rate of return is denoted
- \bar{e}
 - \bar{r}
 - \hat{r}
 - \hat{e}
10. The risk affects any firm with the factors such as war, recessions, inflation and high interest rates is classified as
- Diversifiable risk
 - Market risk
 - Stock risk
 - Portfolio risk

Answers: 1.(a) 2. (c) 3. (d) 4. (a) 5. (c) 6. (b) 7. (a) 8. (d) 9. (c) 10.(b)

SHORT QUESTIONS (2 MARKS)

- Define Risk.
- State the type of risk.
- Define default risk.
- Write a note on operating risk.
- Define interest rate risk.
- What is social risk?
- What is portfolio management?
- What is risk free rate?
- What are Capital returns?
- Explain the term 'return'.

PARAGRAPH QUESTIONS (5 MARKS)

- How do you protect investment against interest rate risk?
- Point out various unsystematic risks.
- State the three sources of unsystematic risks.
- How statistical methods do helps in measuring return on investment?
- Explain the various causes of risk.

26. What are the factors influencing risk involved in investment?
27. What are the limitations of CAPM?
28. Explain the concept of systematic risk. Why is it call systematic risk?
29. How the risk and return of a security can be measured? Explain.
30. Aggressive investors are not risk averse. Do you agree? Why?


ESSAY QUESTIONS (10 MARKS)

31. Explain the various classification of risk.
32. What are the factors determining return on investment?
33. What are the factors involving internal risk in investment? Discuss.
34. Why should a person invest? What are the determinants of risk in investment? What are the advantages of risk-free investment?
35. "No investment decisions are made without calculating risk." Do you agree? Discuss the various steps involved in investment decision making process.
36. Define risk. Explain the different types of risk.
37. What is systematic risk? What are various types of systematic risks? Clearly discuss.
38. Briefly explain the measurement of risk.
39. "Investors always concern regarding risk". Comment in detail.
40. "Most investors are risk averse". Comment.

UNIT – III

CHOOSE THE CORRECT ANSWER

1. The savings banks, insurance companies, mutual funds and commercial banks are all examples of
 - a) Non-financial institutions
 - b) Derivative institutions
 - c) Financial institutions
 - d) Payable institutions
2. The maturity of debt instruments which faces more price fluctuations is
 - a) Primary maturity
 - b) Capital maturity
 - c) Short term maturity
 - d) Long term maturity
3. The financial instruments of public markets include
 - a) Transfer funds
 - b) Bearer bonds
 - c) Shares
 - d) Bonds
4. Equity shareholders are called
 - a) Owners of the company
 - b) Partners of the company
 - c) Executives of the company
 - d) Guardian of the company

- 
5. What is meant by a 'right issue'?
- The rights of creditors to be paid in the event of insolvency
 - A method of raising funds by issuing loan stock
 - The offer, to existing shareholders, of the right to buy new shares in proportion to their existing voting rights
 - A dispute over the voting rights of shareholders
6. What is the major drawback of debt financing?
- You have to pay back the money
 - Lenders often require security of the loan against assets of the company
 - Increasing debt changes the gearing ratio of the firm
 - Interest payments must be made before shareholder dividends and irrespective of fluctuations in profits. Thus shareholders bear the risk of profit fluctuations
7. Mutual funds in India are permitted to invest in
- Securities
 - Securities and gold
 - Securities other than real-estate
 - Securities, gold and real-estate
8. Which type of fund invests in debt securities with very short maturities?
- Growth fund
 - Bond fund
 - Money market mutual fund
 - Certified fund
9. Life Insurance Corporation of India is a
- AOP
 - Firm
 - Company
 - Individual
10. Which of the following is not a financial intermediary?
- Credit unions
 - Investment bankers
 - Insurance companies
 - Mutual funds

Answers: 1. (c) 2. (d) 3. (c) 4. (a) 5 (c) 6.(d) 7.(d) 8. (c) 9. (c) 10.(b)

SHORT QUESTIONS (2 MARKS)

11. What do you mean by Real estate?
12. What are Government securities?
13. What is meant by mutual funds?
14. Expand SEBI and UTI.
15. Define Mutual Fund.
16. List out the different types of Life Insurance Schemes.
17. State any two provident fund schemes.
18. What is close-ended scheme?
19. What is open-ended scheme?
20. List out the types of bank deposits.

PARAGRAPH QUESTIONS (5 MARKS)

21. State the various mutual fund schemes offered in India.
22. What are the advantages of mutual funds to an investor?
23. What are the benefits of investing gold?
24. How will you classify the bank deposits? Explain.
25. What are the types of provident fund schemes?
26. Give the objectives of Bank Deposits.
27. What are the characteristics of Government securities?
28. Explain the methods of diversification of portfolio.
29. What are the objectives of investing in Gold and Silver? State its advantages and disadvantages.
30. Is investment in mutual funds is less risky than in shares – Explain.

ESSAY QUESTIONS (10 MARKS)

31. Describe the important features of bank deposits, Post Office Savings Account, Post Office Time Deposits, Monthly Income Scheme of the Post Office, and Company deposits.
32. Explain the various savings schemes offered by post office.
33. Describe the various Mutual Fund schemes offered in India.
34. What is LIC? Explain the schemes offered by the LIC.
35. Discuss the growth of mutual funds in India.
36. Discuss the different kinds of long term investment opportunities available for investors with their pros and cons.
37. What do you understand insurance products of in recent trends?
38. Discuss the regulations and operations of mutual funds.
39. Explain various insurance schemes.
40. Explain any five modes of investments and its advantages and disadvantages.

UNIT – IV

CHOOSE THE CORRECT ANSWER

1. An annual estimated costs of assets uses up every year are included
 - a) Depreciation and amortization
 - b) Net sales
 - c) Net profit
 - d) Net income
2. In the time value of money, the nominal rate is
 - a) Not shown on timeline
 - b) Shown on timeline
 - c) Multiplied on timeline
 - d) Divided on timeline
3. The payments if it is made at the end of each period such as end of the year is classified as
 - a) Ordinary annuity
 - b) Deferred annuity
 - c) Annuity due
 - d) Both A and B
4. Time value of money indicates that
 - a) a unit of money obtained today is worth more than a unit of money obtained in future
 - b) a unit of money obtained today is worth less than a unit of money obtained in future
 - c) There is no difference in the value of money obtained today and tomorrow
 - d) None of the above
5. Time value of money supports the comparison of cash flows recorded at different time period by
 - a) Discounting all cash flows to a common point of time
 - b) Compounding all cash flows to a common point of time
 - c) Using either a or b
 - d) None of the above
6. The purchase cost of assets over its useful life is classified as
 - a) Appreciation
 - b) Depreciation
 - c) Appreciated assets
 - d) Appreciated liabilities
7. Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one:
 - a) Effective rate > Nominal rate
 - b) Effective rate < Nominal rate
 - c) Effective rate = Nominal rate
 - d) None of the above

8. The process of calculating future value of money from the present value is classified as
- Compounding
 - Discounting
 - Money value
 - Stock value
9. The land, building, and factory fixed equipment are classified as
- Tangible asset
 - Non-tangible assets
 - Financial asset
 - Financial liability
10. The method of inventory gives lower cost of goods sold in the income statement is classified as
- Last in first out
 - Last out receivable
 - First out receivable
 - First in first out

Answers: 1. (a) 2. (a) 3. (c) 4. (a) 5.(c) 6. (b) 7. (a) 8. (a) 9. (a) 10.(d)

SHORT QUESTIONS (2 MARKS)

- Expand the terms: (a)PVIF (b) PVIFA (c) FVIFA
- Define Future Money.
- What is present value?
- How would you classify the types of annuity?
- What is meant by time value of money?
- What is future value?
- What are the reasons for time value of money?
- List out the techniques of time value of money.
- What is PVIF formula?
- What is difference between ROI and IRR?

PARAGRAPH QUESTIONS (5 MARKS)

- Explain the reasons of Time Value of Money.
- What do you know about PVIFA?
- What is meant by Present Value of Annuity?
- Distinguish between current money and future money.
- How are the future value and present value of money related?
- Why is future money typically worth less than present day money?
- How does an increase in interest rates affect the present value of future payment?
- Why money worth more today than in the future?
- List out the importance of time value of money.
- What are the components of interest rates?

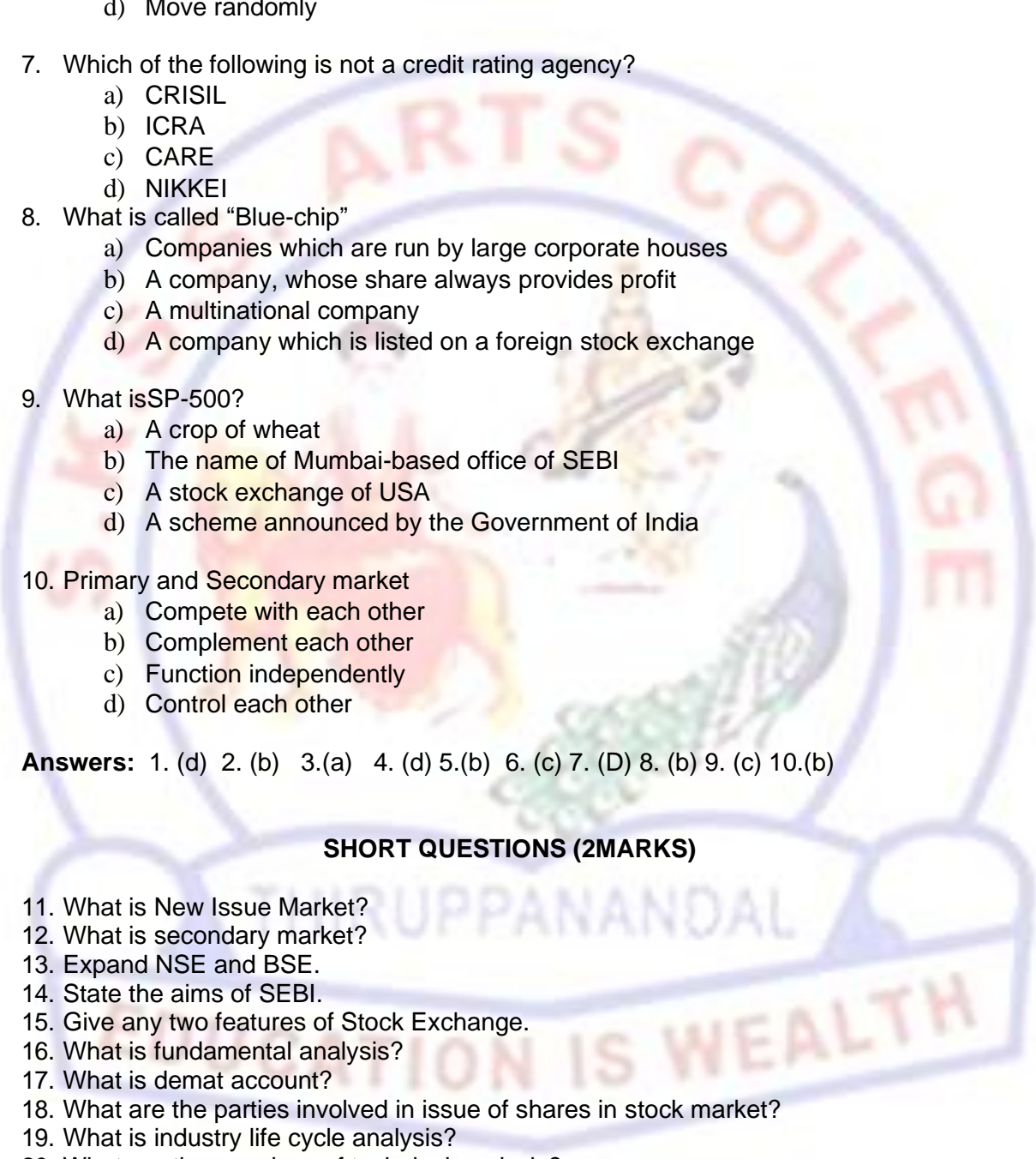
ESSAY QUESTIONS (10 MARKS)

31. Explain the concept of FVIFA with examples.
32. Bring out the importance concept of valuation.
33. What are the techniques of time value of money explain with suitable examples?
34. What are three techniques for solving time value problems?
35. What is the time value of money and how the time value of money works?
36. Explain PVIF with examples.
37. Explain PVIFA with examples.
38. What are the two main categories of time value of money? Explain.
39. What are the methods of time value? Explain.
40. What is time value of money? Discuss its importance.

UNIT – V

CHOOSE THE CORRECT ANSWER

1. In primary markets, the first time issued shares to be publicly traded, in stock markets is considered as
 - a) Traded offering
 - b) Public markets
 - c) Issuance offering
 - d) Initial public offering
2. The money market where debt and stocks are traded and maturity period is more than a year is classified as
 - a) Shorter term markets
 - b) Capital markets
 - c) Counter markets
 - d) Long-term markets
3. The type of market in which securities with less than one year maturity are traded, is classified as
 - a) Money market
 - b) Capital market
 - c) Transaction market
 - d) Global market
4. The last step in fundamental analysis is
 - a) Economic analysis
 - b) Industry analysis
 - c) Company analysis
 - d) Technical analysis
5. The oldest approach to common stock selection is:
 - a) Fundamental analysis
 - b) Technical analysis
 - c) Random walk analysis
 - d) Value analysis

- 
6. What is Technical Analysis?
a) Move upward overtime
b) Move inversely overtime
c) Move intends
d) Move randomly
7. Which of the following is not a credit rating agency?
a) CRISIL
b) ICRA
c) CARE
d) NIKKEI
8. What is called "Blue-chip"
a) Companies which are run by large corporate houses
b) A company, whose share always provides profit
c) A multinational company
d) A company which is listed on a foreign stock exchange
9. What is SP-500?
a) A crop of wheat
b) The name of Mumbai-based office of SEBI
c) A stock exchange of USA
d) A scheme announced by the Government of India
10. Primary and Secondary market
a) Compete with each other
b) Complement each other
c) Function independently
d) Control each other

Answers: 1. (d) 2. (b) 3.(a) 4. (d) 5.(b) 6. (c) 7. (D) 8. (b) 9. (c) 10.(b)

SHORT QUESTIONS (2MARKS)

11. What is New Issue Market?
12. What is secondary market?
13. Expand NSE and BSE.
14. State the aims of SEBI.
15. Give any two features of Stock Exchange.
16. What is fundamental analysis?
17. What is demat account?
18. What are the parties involved in issue of shares in stock market?
19. What is industry life cycle analysis?
20. What are the premises of technical analysis?

PARAGRAPH QUESTIONS (5 MARKS)

21. Briefly explain industry analysis.
22. State the assumptions of technical analysis.
23. Explain the functions of New Issue Market.
24. What are the objectives of NSE?
25. How is a fundamental analysis useful to a prospective investor?
26. Explain the difference between Fundamental analysis and Technical analysis.
27. Explain the mechanics of stock exchange.
28. Explain the different methods of floating new issues in the market.
29. Who are the key players involved in the new issue market?
30. Discuss the key tools in company analysis.

ESSAY QUESTIONS (10 MARKS)

31. What are the difference between primary market and secondary market?
32. Explain the factors which are taken into account when an investor decides to invest in the primary market.
33. Enumerate the various steps involved in traditional approach?
34. Explain the salient features you will take into account while doing fundamental analysis.
35. Distinguish between technical and fundamental analysis.
36. Is Technical analysis a substitute for fundamental analysis? Discuss.
37. Explain the structure of Indian Financial market.
38. What do you mean by Demat account and how it differs from trading account?
39. Which factors are considered in company analysis? How does this analysis beneficia common investor?
40. Explain the meaning and benefits of fundamental analysis. Which variables are considered in economic analysis? How do these variables impact the stock market?

THIRUPPANANDAL

EDUCATION IS WEALTH