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QUESTION BANK

Title of the Paper

INVESTMENT MANAGEMENT

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CORE COURSE – XIII

INVESTMENT MANAGEMENT

UNIT – I

Investment Management - Nature and scope - Objectives – Process – Investment Media Security and Non-security forms of Investment - gilt edged securities – Sources of Investment information.

UNIT – II

New Issues Market – Methods of Issuing – Parties involved in the new issue market – Secondary market – Stock Exchanges – NSE and BSE – Trading mechanism – online trading – SEBI and Investors production.

UNIT – III

Security Analysis – Approaches – Fundamental Analysis – Technical Analysis – Dow Theory – Random Walk Theory - Efficient Market Hypothesis.

UNIT – IV

Portfolio Analysis – Traditional and Modern approach – Rationale of Diversification of Investments – Markovitz theory –Sharpe Index Model - Capital Asset Pricing Model.

UNIT – V

Investment companies in India – Types Mutual Fund Operations in India – UTI – SEBI and RBI Guidelines for Mutual Funds.



UNIT – I
CHOOSE THE CORRECT ANSWER

1. Investment is the
 - A. Net addition made to the nations capital risk
 - B. Persons commitment to buy a fact
 - C. Employment of funds on assets to earn return
 - D. Employment of funds on goods and services that are used in production process.
2. If the investment is properly undertaken then
 - A. The return will commensurate with the risk
 - B. The return will be certain
 - C. It will be liquid
 - D. None of these
3. Which of the following is a tax saving investment?
 - A. Fixed deposit
 - B. Shares
 - C. NSE
 - D. PPF
4. Investment made in real estate is
 - A. Real investment
 - B. Financial investment
 - C. Non-financial investment
 - D. Intangible investment
5. Which one of the following is not a fixed income bearing security?
 - A. Debentures
 - B. Bonds
 - C. Fixed Deposits
 - D. Equity shares
6. ----- information includes market demand installed capacity, capacity utilization, competitor activities, market leaders prospects of the industries etc,
 - A. Industry information
 - B. Security market information
 - C. Company information
 - D. None of these
7. Annual reports of companies provides
 - A. Financial information
 - B. Economic information
 - C. Market information
 - D. None of these
8. Daily security prices are quoted in
 - A. Stock exchange
 - B. Leading dailies
 - C. Investment week
 - D. Government reports

9. The primary market for securities is
- A. Stock exchange
 - B. New issue market
 - C. National market
 - D. OTCEI
10. ----- analysis is based on security price quotation
- A. Technical
 - B. Non- Technical
 - C. Security market
 - D. All of the above

Answers: 1.C 2.A 3.D 4.A 5.D 6.A 7.A 8.A 9.B 10.A

SHORT QUESTIONS (2 MARKS)

- 11. Define the term investment.
- 12. What are financial investment?
- 13. What is risk?
- 14. What is Gambling?
- 15. What do you mean by valuation of security?
- 16. What is meant by contingent investment?
- 17. Write a note on information.
- 18. Define price quotations.
- 19. Expand OTCEI
- 20. What is new issue market.?

PARAGRAPH QUESTIONS (5 MARKS)

- 21. Mention the objectives of investment.
- 22. Why do investors invest in gold and silver?
- 23. Why do investors add real estate in their portfolio?
- 24. Mention the forms of investment alternatives.
- 25. Differentiate between capital and money market securities.
- 26. Describe the essential features of an investment programme.
- 27. What do you mean by purchasing power Risk?
- 28. What are the factors taken into account by an investor while selecting an investment?
- 29. What are the sources from which security price quotations can be collected?
- 30. What are the sources of financial information about the company?

ESSAY TYPE QUESTIONS (10 MARKS)

- 31. What is meant by stock exchange? What are the main functions of a stock exchange?
- 32. Explain the nature of investment.
- 33. Explain the concepts of investments.
- 34. Distinguish between investment, speculation and gambling .
- 35. What is the meaning of investment? Discuss the different channels or alternatives available to an investor for making investments.

36. Why do people invest? Explain the factors which are favorable for making investments in an economy.
37. "Most investors are risk averse" -Elaborate
38. What is meant by listing of securities? What are its advantages from the point of view of the company and investors?
39. Explain the role of.
a] Stock Exchange b] OTCEI and c] NSE in the stock information
40. Give and detailed account of sources of investment information.

UNIT – II
CHOOSE THE CORRECT ANSWER

1. Primary and secondary markets
- A. Control each other
 - B. Function independently
 - C. Compete with each other
 - D. Complement each other
2. Primary market is
- A. An issue marketability outstanding securities
 - B. A new issue market
 - C. Both a and b
 - D. None of the above
3. Stat which of the following is the method of floating new issue
- A. Origination
 - B. Understanding
 - C. Placement
 - D. All of the above
4. At par means
- A. Shares issued at premium
 - B. Shares issued at discount
 - C. Shares issued at face value
 - D. Both a and b
5. Rights issues are offered to
- A. The existing shareholders
 - B. The promoters of the company
 - C. The public at large
 - D. Underwriting
6. The person who is appointed to assist the stock is called
- A. Remisers
 - B. Authorised clerk
 - C. Commission brokers
 - D. Tarawaniwala

7. Mr. X buys shares of ponds India ltd from Mr.Y. This is a
- A. Primary market activity
 - B. Secondary market activity
 - C. Money market activity
 - D. None of these
8. An order of purchase of securities at a fixed price is knows as;
- A. At best order
 - B. Limit order
 - C. Discretionary order
 - D. Open order
9. Stock exchange
- A. Helps in the fixation of stock prices
 - B. Ensures safe and fair dealing
 - C. Induces good performance of the company
 - D. Performs all the above functions.
10. -----is an independent broker who purchase and sells securities in his own name.
- A. Jobber
 - B. Tarawaniwals
 - C. Commision brokers
 - D. Authorised clerks.

Answers: 1.D 2.B 3.C 4.C 5.A 6.B 7.B 8.B 9.D 10.A

SHORT QUESTIONS (2 MARKS)

- 11. What is primary market for securities?
- 12. Define underwriting.
- 13. What is origination?
- 14. What do you mean by public issue?
- 15. What are the new issue market?
- 16. What is listing of shares?
- 17. Who is Jobber?
- 18. Define stock exchange.
- 19. What is Executor order?
- 20. State any two functions of stock exchange.

PARAGRAPH QUESTIONS (5 MARKS)

- 21. Distinguish between new issue market and stock exchange.
- 22. What do you understand by underwriting of securities?
- 23. What are the advantages of underwriting?
- 24. What are the methods of underwriting?
- 25. What is primary market and Secondary market in India?
- 26. What are the advantages of listing of shares?
- 27. Who can become the members of stock exchange?

28. Distinguish between a Remisier and an authorized clerk.
29. What are the demerits of listing?
30. What are the characteristics of stock exchange?

ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain the term 'New issue market' How does it differ from secondary market.
32. Discuss the methods of floating shares in new issue market.
33. Explain the players or parties involved in the new issue market.
34. Explain the functions of new issue market.
35. Explain the problems faced in the new in the issue market.
36. Explain the procedures for listing of securities on a stock exchange.
37. Discuss the membership rules in stock exchange.
38. Explain the functions of stock exchange in India.
39. Classify the brokers in a stock exchange.
40. Explain the origin, structure and management of a stock exchange.

UNIT – III

CHOOSE THE CORRECT ANSWER

1. _____ refers to analysis of only one scrip
 - A. Micro analysis
 - B. Macro analysis
 - C. Economic analysis
 - D. Industry analysis
2. Which one of the following is economic analysis?
 - A. Gross domestic product
 - B. Surveys
 - C. Labour cost
 - D. Diffusion indexes
3. A growth industry is
 - A. An industry with 10% growth per annum
 - B. An industry where demand for its product is exceeding supply
 - C. A capital intensive industry
 - D. An industry whose average growth is higher than the of economy
4. The purpose of technical analysis is to
 - A. Take buy to hold or sell decisions
 - B. Determine the intrinsic value of shares
 - C. Estimate the performance of the economy
 - D. None of these
5. The first market index was introduced by charts in
 - A. 1984
 - B. 1985
 - C. 1986
 - D. 1987

6. Minor trends last for
 - A. For weeks
 - B. For month
 - C. For years
 - D. None of these
7. The investor wants to study those fundamental factors
 - A. Security opening price
 - B. Security closing price
 - C. Security average price
 - D. None of these
8. Which of the following statement defines the efficient market?
 - A. Free entry and exit of the investors
 - B. The market that is closely watched by the regularly agencies
 - C. Stock prices fully relating all the market information
 - D. The stock exchange is fully automated.
9. Which of the following evidence the semi-strong efficient market theory forms?
 - A. Week effect
 - B. Low P/E ratio effect
 - C. Effect of the stock split
 - D. The size effect
10. A run in the stock price is
 - A. An uninterrupted sequence of either
 - B. An alternative sequence of stock price movement
 - C. An interrupted sequence of either fall or rise stock prices.
 - D. A residual analysis

Answers: 1.A 2.A 3.D 4.A 5.A 6.A 7.B 8.C 9.C 10.A

SHORT QUESTIONS (2 MARKS)

11. What is the meaning of company analysis?
12. What are the two classification of industry?
13. What is economic analysis?
14. What is Recurring income?
15. What are the Dividend policy ?
16. What are the preference shares?
17. What is Technical analysis?
18. Who are odd lotters?
19. What do you understand by short selling?
20. What is Random walk Theory?

PARAGRAPH QUESTIONS (5 MARKS)

21. How is fundamental analysis useful to a prospective investor?
22. Explain the advantages of company analysis.
23. What are the concept of economic analysis for investment decision?
24. Explain the economic environment analysis.
25. Write briefly about the Timbergen valuation model.
26. Explain the factors influencing in the stagnation stage.
27. Discuss the odd lot theory and its importance in technical analysis.
28. What are the assumptions of technical analysis? Elucidate.
29. What are the forms of efficient market of hypothesis?
30. State the assumptions of Efficient market Theory.

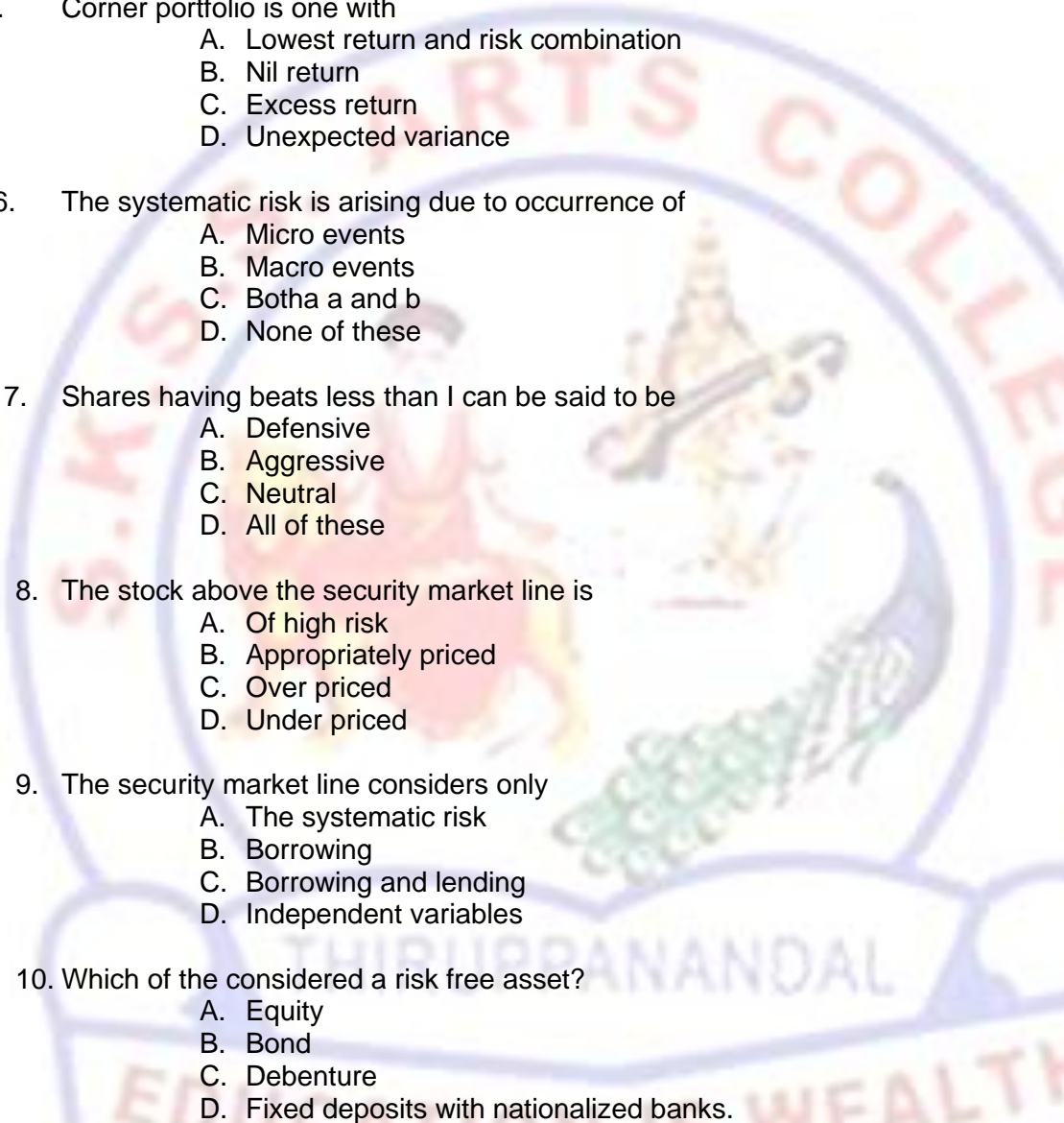
ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain the meaning, rationale, procedure and limitations of the fundamental analysis.
32. What are the obstacles in the way of successful fundamental analysis?
33. Discuss the factors involved in company analysis.
34. What are the various fundamental valuation models? Explain any four briefly.
35. Discuss the role of charts in technical analysis.
36. Explain fundamental analysis and technical analysis and draw a comparison of the two.
37. Discuss Dow Theory.
38. Explain the various security valuation techniques.
39. What does Random walk Theory project in this weak form, semi-strong and strong form?
40. Write short notes on;
 - A) Simulation test
 - B) Filter test
 - C) Social correlation test

UNIT – IV

CHOOSE THE CORRECT ANSWER

1. The common practice in the traditional approach is
 - A. To evaluate entire stock market
 - B. To maximize the expected return for a given level of risk
 - C. To evaluate the entire financial plan of the individual
 - D. To select the portfolios
2. The statistical tool used to measure a company's is
 - A. Covariance
 - B. Variance
 - C. Mean
 - D. Mode
3. Diversification reduces
 - A. Inflation risk
 - B. Market risk
 - C. Interest rate risk
 - D. Unique risk

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- The logo of S.K.S. Arts College is a circular emblem. It features a central figure of a person riding a horse, with a banner below them that reads 'PROGRESS THROUGH KNOWLEDGE'. The text 'S.K.S. ARTS COLLEGE' is written around the top inner edge of the circle, and 'THIRUPPUNANDAL' is written at the bottom. A banner at the very bottom of the emblem contains the motto 'EDUCATION IS WEALTH'.
4. Which one of the following is not an efficient portfolio?
 - A. Portfolio which gives the highest return at a particular level of risk
 - B. Portfolio which gives minimum risk for given level of return
 - C. Portfolio which gives a higher return at the same risk of lower risk
 - D. Portfolio which gives lower return at the lower levels
 5. Corner portfolio is one with
 - A. Lowest return and risk combination
 - B. Nil return
 - C. Excess return
 - D. Unexpected variance
 6. The systematic risk is arising due to occurrence of
 - A. Micro events
 - B. Macro events
 - C. Both a and b
 - D. None of these
 7. Shares having beats less than 1 can be said to be
 - A. Defensive
 - B. Aggressive
 - C. Neutral
 - D. All of these
 8. The stock above the security market line is
 - A. Of high risk
 - B. Appropriately priced
 - C. Over priced
 - D. Under priced
 9. The security market line considers only
 - A. The systematic risk
 - B. Borrowing
 - C. Borrowing and lending
 - D. Independent variables
 10. Which of the considered a risk free asset?
 - A. Equity
 - B. Bond
 - C. Debenture
 - D. Fixed deposits with nationalized banks.

Answers: 1.C 2.B 3.D 4.D 5.A 6.B 7.B 8.D 9.A 10.D

SHORT QUESTIONS (2 MARKS)

11. What do you understand by portfolio construction?
12. What do you mean by portfolio revision?
13. What is rupee cost averaging?
14. What is portfolio management?
15. What is Markowitz model?
16. What do you understand by efficient portfolio?
17. What two assumptions if Markowitz theory?
18. What is CAPM?
19. What is security market line?
20. What is capital market line?

PARAGRAPH QUESTIONS (5 MARKS)

21. Why should the investors adopt formula plans?
22. How does constant rupee plan differ from constant ratio plan?
23. How does a formula plan help the investor invest in a defensive portfolio?
24. What are the steps in traditional approach to portfolio construction?
25. Distinguish between security analysis and portfolio analysis.
26. Write a short note on Sharpe's portfolio model.
27. How expected return of a portfolio is computed?
28. Write a short note on Beta factor.
29. How the risk and return if a security can be measured?
30. Distinguish between systematic and unsystematic risk.

ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain the methods of diversification of portfolio.
32. Discuss the various techniques of portfolio revision.
33. Explain the modern approach to portfolio construction.
34. Explain the constraints of the investors in formulating their investment objectives.
35. Explain the portfolio management process.
36. Discuss Markowitz model of portfolio management.
37. In what respects can Sharpe's model be regarded superior to Markowitz model.
38. Distinguish between the capital market line and security market line.
39. Develop and explain capital Asset pricing model.
40. Explain the CAPM. How does it help in the estimation of expected return of security.

EDUCATION IS WEALTH

UNIT – V
CHOOSE THE CORRECT ANSWER

1. Which one of the following schemes helps in reducing tax liability?
 - A. Investment in real estate
 - B. National saving certificate
 - C. Equity shares
 - D. Saving back account

 2. The negotiable financial investment differs non-negotiable financial investment in terms of
 - A. Face value
 - B. Transferability
 - C. Maturity period
 - D. Interest rate

 3. Gambling is
 - A. An intelligent speculation
 - B. Based on rumours
 - C. Successful speculation
 - D. None of these

 4. The open-ended scheme of mutual fund is
 - A. Open on a continuous basis
 - B. Open for a particular period
 - C. Having a fixed period of maturity
 - D. Interest earning scheme

 5. Which one of the following contingent investment?
 - A. Recurring deposit
 - B. Bonds
 - C. Equity shares
 - D. Life insurance policy

 6. The component of a capital market is
 - A. Treasury bill market
 - B. Govt. security market
 - C. Commercial bill market
 - D. Call money market

 7. The money market instrument is
 - A. Bond
 - B. Debenture
 - C. Stock certificate
 - D. Certificate of deposit

 8. Industrial development bank of India was set up in
 - A. 1948
 - B. 1964
 - C. 1972
 - D. 1974
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9. Government bond is a
- A. Long-term security
 - B. Short-term security
 - C. Medium-term security
 - D. Neither long-term nor short-term security
10. ----- means the market where mortgage loans are extended to individual customers
- A. Term loan market
 - B. Mortgage market
 - C. Market for financial guarantees
 - D. None of these

Answers: 1.D 2.B 3.B 4.A 5.D 6.B 7.D 8.B 9.A 10.B

SHORT QUESTIONS (2 MARKS)

- 11. Define insurance
- 12. Define mutual fund.
- 13. What are the promissory notes?
- 14. What are the two life insurance schemes?
- 15. What is underwriting?
- 16. Write is money market
- 17. What is a capital market?
- 18. What is long-term loan market?
- 19. Expand UTI
- 20. What is mortgages market?

PARAGRAPH QUESTIONS (5 MARKS)

- 21. What are the advantages of life insurance?
- 22. What are the various Deposits Schemes?
- 23. What are the importance of mutual funds?
- 24. Explain the characteristics of Government securities.
- 25. What are the advantages of investing in gold?
- 26. How will you classify financial markets in India?
- 27. Mention some life insurance schemes.
- 28. What are the functions of SEBI?
- 29. What are the importance of financial system?
- 30. Explain the UTI.

ESSAY TYPE QUESTIONS (10 MARKS)

- 31. Explain the various types of life insurance schemes.
- 32. Explain the types of mutual funds.
- 33. Mention tax sheltered schemes available in the market.
- 34. Investment opportunities are available to the investor in many types and in many combinations within each type.-Elucidate this statement.
- 35. Explain the constituents of capital market.
- 36. Describe the legislative measures taken by the government to support the Indian financial system.
- 37. Trace out the development of financial systems in India.
- 38. State SEBI guidelines on mutual funds.
- 39. State RBI guidelines on mutual funds.
- 40. Explain the functions of SEBI.