

Q.P. Code : 00200

[Time: 2½ Hours]

[ Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. ALL QUESTIONS ARE COMPULSORY.
  2. FIGURES TO THE RIGHT INDICATE MARKS
  3. WORKING SHOULD FORM A PART OF YOUR ANSWER

Q. 1 A) Multiple choice questions (Any 8)

(8)

- 1) \_\_\_\_\_ is calculated only on the principle amount of the loan.
  - a. Simple interest
  - b. Compound interest
  - c. Both
  - d. None
- 2) \_\_\_\_\_ is the practice of engaging in risky financial transactions to make profit out of fluctuation in the market.
  - a. Hedging
  - b. Speculation
  - c. Arbitration
  - d. Swap dealers
- 3) \_\_\_\_\_ Investment should be recommended to a person aged 55 who is near to retirement.
  - a. 50% debt, 50% equity
  - b. 70% equity, 30% debt
  - c. 30% equity, 70% debt
  - d. 20% debt, 80% equity
- 4) The payoff of a debt with a fixed repayment schedule over a period of time is known as \_\_\_\_\_.
  - a. Amortization
  - b. Annuities
  - c. Hire purchase
  - d. Budgeting
- 5) HPR means \_\_\_\_\_.
  - a. High periodic return
  - b. Holding period return
  - c. High periodic risk
  - d. Holding periodic risk
- 6)  $FV =$  \_\_\_\_\_.
  - a.  $PV * DF$
  - b.  $PV / CF$
  - c.  $PV * CF$
  - d.  $PV / DF$

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- 7) Liquid ratio = \_\_\_\_\_
  - a. Quick assets/Quick liabilities
  - b. Quick assets/Current Liabilities
  - c. Current assets/Quick Liabilities
  - d. Current assets/ Current Liabilities
- 8) \_\_\_\_\_ Risk is undiversifiable risk.
  - a. Unsystematic
  - b. Systematic
  - c. Credit
  - d. Business
- 9) \_\_\_\_\_ Assets allocation strategy can be described as moderately active strategy.
  - a. Strategic
  - b. Dynamic
  - c. Tactical
  - d. Insured
- 10) \_\_\_\_\_ Investment style focuses on long term capital growth.
  - a. Aggressive
  - b. Conservative
  - c. Moderate
  - d. Cautious

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

(07)

- 1) There is high liquidity in case investment in real estate.
- 2) LIC, NSC, PPF are tax saving scheme.
- 3) EMI is known as Equated Monthly Income.
- 4) CAGR is compound annual growth rate.
- 5) Compound Interest =  $P \cdot i \cdot n$
- 6) Hire purchase is also known as installment plans.
- 7) Budgeting is conservative estimate of future sale revenue.
- 8) Current t-ratio=current assets/ current liability.
- 9) Market risk arises from inability to convert an investment quickly into cash.
- 10) Strategic asset allocation follows buy and hold strategy.

Q. 2 Answer the following Questions

(08)

A) An Investment of Rs. 40,000 made on 1<sup>st</sup> April 2015 provides inflows as follow.

Date	Project 1	Project 2
1/4/2016	20,000/-	10,000/-
1/4/2017	10,000/-	20,000/-
1/4/2018	10,000/-	10,000/-
1/4/2019	10,000/-	10,000/-

Which alternative would you prefer if the investors expected return is 10%?

B) What is sole proprietorship? State in brief its advantages and dis-advantages?

(07)

**OR**

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- P) A project needs an investment of Rs. 1, 38,500. The cost of capital is 12%. The net cash inflow are as follows. (08)

Year	Rupees
1	30,000
2	40,000
3	60,000
4	30,000
5	20,000

Calculate the IRR and suggest whether the project should be accepted or not?

- Q) Describe in brief about the important attributes of various asset classes? (07)

Q. 3 Answer the following Questions (08)

- A) The balance sheet of MCC Limited as on 31<sup>st</sup> march 2015 is given below

Liabilities	Rupees	Assets	Rupees
Share capital (Rs. 10 each)	12,00,000	Fixed Assets	28,60,000
Reserve & surplus	8,00,000	<b>Current Assets</b>	
Long term loans	22,70,000	Stock	19.80,000
Current Liabilities	23,50,000	Debtors	16,50,000
		Cash and bank	1,30,000
Total	66,20,000	Total	66,20,000

Additional Information

- The company has declared 25% dividend
- Market price of the share is Rs 50/-
- Tax rate is 30%
- Net profit = Rs 7,34,400

Calculate the following ratios

- Dividend per share
- Current ratio
- Liquid ratio
- Earnings per share

- B) Explain in brief about refinancing? (07)

**OR**

- P). Mr Raj is borrowing Rs 7,000 to buy a car. The loan + Interest Is to be repaid in quarterly instalment made (08)  
at the end of each quarter during two year interval. Rate of interest is 16%  
Prepare a loan amortization schedule?

- Q) Describe in brief the difference between long term and short term debt? (07)

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Q. 4 Answer the following.

- A) Explain various types of investment risk?
- B) Describe various methods of wealth protection?

(08)  
(07)

**OR**

- (p) Explain in brief about various assets allocation strategies?
- (Q) Describe in brief about short term, medium term, and long term investment product.

(08)  
(07)

- Q. 5 A) What is Co-operative society? Explain its merits and demerits.
- B) Explain different types of annuities

(08)  
(07)

**OR**

- Q. 5 Short Notes. Attempt any 3 out of 5
  - a. Hire Purchase
  - b. Budgeting and forecasting
  - c. Holding period return
  - d. Risk profiling of investor
  - e. Wealth erosion

(15)