



# UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Eighth Semester – 2019

Paper: Investment Analysis & Management (Finance Specialization)

Course Code: COMM-414 Part – I (Compulsory)

Time: 15 Min. Marks: 10

Roll No. in Fig. ....

Roll No. in Words. ....

Signature of Supdt.: .....

**ATTEMPT THIS PAPER ON THIS QUESTION SHEET ONLY.**

**Division of marks is given in front of each question.**

**This Paper will be collected back after expiry of time limit mentioned above.**

**Q.1. Encircle the correct option.**

**(10x1=10)**

- 1) The most recent 12-months dividend when divided by the current market price is:
  - a. Dividend yield
  - b. Dividend payout
  - c. P/E ratio
  - d. None of the above
- 2) The ratio which is calculated by dividing market price with earnings per share is known as:
  - a. P/E ratio
  - b. Break-up value per share
  - c. Dividend yield
  - d. None of the above
- 3) An investment company with a fixed capitalization whose shares are traded on stock exchange is:
  - a. Open end investment company
  - b. Close end investment company
  - c. Investment banks
  - d. None of the above
- 4) An order placed by an investor to buy or sell shares at a specified price is:
  - a. Limit order
  - b. Market order
  - c. Stop order
  - d. None of the above
- 5) Stock return in Rupees/Dollars with no adjustment for inflation is:
  - a. Nominal return
  - b. Real return
  - c. Currency adjusted return
  - d. None of the above
- 6) Risk which cannot be eliminated through diversification is:
  - a. Non-systemic risk
  - b. Systematic risk
  - c. Diversifiable risk
  - d. Both a and c above

**P.T.O.**

- 7) The per share price at which the common share may be purchased or sold to an option writer is:
- a. Option premium
  - b. Future contract
  - c. Market price
  - d. Exercise price
- 8) The securities held by an investor taken as a unit:
- a. Stocks
  - b. Bonds
  - c. portfolio
  - d. None of the above
- 9) That part of a security's return above the risk-free rate of return is:
- a. Return relative
  - b. Risk premium
  - c. Capital gain
  - d. Risk free return
- 10) A breach of fiduciary duty while in possession of material, non-public information about a security is:
- a. Insider trading
  - b. Arbitration
  - c. Securities and exchange commission
  - d. None of the above



# UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Eighth Semester – 2019

Roll No. ....

Paper: Investment Analysis & Management (Finance Specialization)

Course Code: COMM-414 Part – II

Time: 2 Hrs. 45 Min. Marks: 50

## ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

**Q2. Give short answers. (5×4=20)**

1. Differentiate between systematic and nonsystematic risk.
2. Face value of treasury bills is \$25000, purchase price is \$24000 & days to maturity are 90. Calculate discount yield and investment yield.
3. Differentiate between income stock and growth stock
4. The GSK has a portfolio of stocks valued on a given day at \$70000000. Its liabilities are \$3000000, and shareholders of this fund own 2 Million shares. Calculate NAV.
5. What is the relationship among nominal return and real return?

**LONG QUESTIONS (10×3=30)**

- Q.3** Define brokerage firm. Discuss various types of orders placed by an investor with brokers.
- Q.4** What are derivative securities? Differentiate between future contract and option contract.
- Q.5** CSE 10 index consists of 10 companies. This is a capitalization weighted stock index. This stock index was started with a 500 base points. Previous market capitalization (Base divisor) is PKR 15000000. Current market prices and number of outstanding shares of these companies are as under:

Companies	Market price per share (PKR)	No. of outstanding shares	Market capitalization (PKR)
1	125	40000	5000000
2	60	25000	1500000
3	31	20000	620000
4	52	15000	780000
5	43	10000	430000
6	55	50000	2750000
7	18	28000	504000
8	39	30000	1170000
9	41	45000	1845000
10	67	24000	1608000
<b>Total</b>			<b>16207000</b>

- a) Calculate new CSE 10 index.
- b) Assume that 8<sup>th</sup> Company which is presently included in the index is replaced by a new company 11<sup>th</sup>, with 35000 outstanding shares. The market price per share of new company 11<sup>th</sup> is PKR 43. Calculate new base divisor.
- c) Now on the next day Companies 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> stocks prices increased by 10%, 7%, and 15% respectively and Companies 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> stocks prices reduced by 16%, 5% and 11% respectively, while Companies 3<sup>rd</sup>, 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> stocks prices remained constant. Calculate new CSE 10 index. (Note: All values used here are hypothetical)