



Institute of Management
JK Lakshmipat University, Jaipur
MID TERM EXAMINATION I -2018

B.Com H (V sem.) Fundamentals of Investment

Time: 1.5 Hours

Subject Code: FN 15

MM: 20Marks

Instructions: All questions are compulsory.

Section A

1. Explain the concept of: (1 marks each)
 - a) Treasury bills
 - b) Repo Instrument
 - c) Capital appreciation
 - d) Open ended & Close ended mutual funds
 - e) Difference between financial assets and real assets
 - f) Gambling
2. Why it is not advised to a newly establish company to raise short term funds by issuing commercial papers? Support your answer with valid facts. (2 marks)
3. What do you understand by investment process? Mention in brief the steps. (2 marks)
4. In security market both investor and speculator look for returns then on what grounds you would differentiate a genuine investor from a speculator? (2.5 marks)
5. Why despite of functional and organizational differences, new issue market and stock market are considered inseparable or complementary? Support your answer with logical facts. (2.5 marks)

Section B
Case Study

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty. With high capital output ratio, India needs very high rates of investments to keep leap forward in her efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on the investment as the primary instruments of the economic growth and increase in national income. In order to have productions as per target, investment was considered the crucial determinant and capital formation has to be supported by appropriate volume of saving. Despite of so many efforts financial system of India has not captured savings into investment. Financial market authorities of India are thinking to redesign the investment avenues to attract investors so that they get encouragement and ready to channelize their savings into productive system. How long this way is ahead it depends upon the quality of instruments and safeguards adopted to protect investors.

Questions:

1. Describe the reasons which hinder savings to convert into investment in Indian economy. (2.5 marks)
2. If you were the probable investor, for what ingredients you would look before entering into any investment avenue. Explain in brief. (2.5 marks)