Idhaya College for Women
Kumbakonam

PG & Research Department of Commerce

III BCom

Investment Management - 16MBECM6
Unit –I to V
(2Marks Q & A)

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UNIT-I

1. Define Investment.

"The investing of money or capital in order to gain profitable returns, as interest, income, or appreciation in value".

2. What is Gambling?

Gambling, the betting or staking of something of value, with consciousness of risk and hope of gain, on the outcome of a game, a contest, or an uncertain event.

3. What is speculation?

Anyone who buys or shorts a security with the expectation of a favourable price change is a speculator. For example, if a speculator believes XYZ Company stock is overpriced, they may short the stock, wait for the price to fall, and make a profit.

4. Why do people invest?

People invest with the view to build their wealth. This means that they save and then invest their savings over time. In this process, the proceeds from the investments, whether they are dividends or interest earned, can be reinvested into the same financial instrument or even something else.

5. What is portfolio?

A portfolio is a grouping of financial assets such as stocks, bonds, commodities, currencies and cash equivalents, as well as their fund counterparts, including mutual, exchange-traded and closed funds.

6. What is an investment decision?

The Investment Decision relates to the decision made by the investors or the top level management with respect to the amount of funds to be deployed in the investment opportunities.

7. What is a security?

Security means safety, as well as the measures taken to be safe or protected.

8. Who is called Bull?

A bull is someone who buys securities or commodities in the expectation of a price rise, or someone whose actions make such a price rise happen.

9. Write short notes on investment process?

An investment is the purchase of an asset with an expectation to receive return or some other income on that asset in future. The process of investment involves careful study and analysis of the various classes of assets and the risk-return ratio attached to it.

10. What are the features of investment?

The main features or characteristics of investment are as follows:

- Risk Factor.
- Expectation ofReturn.
- Investors expect safety for their capital.
- Liquidity.
- Marketability.
- Stability of Income.

UNIT II

11. Define Risk.

Risk is the possibility or chance of loss, danger or injury. An example of risk is a teenage boy on a car insurance policy. An example of risk is a vacation in the Middle East during a war.

12. State the type of risk.

- Credit Risk (also known as Default Risk)
- Country Risk.
- Political Risk.
- Reinvestment Risk.
- Interest Rate Risk.
- Foreign Exchange Risk.
- Inflationary Risk.
- Market Risk.

13. Define default risk.

Default risk is the risk that a lender takes on in the chance that a borrower will be unable to make the required payments on their debt obligation. Lenders and investors are exposed to default risk in virtually all forms of credit extensions

14. Describe operating risk.

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies. Employee errors. Systems failures. Fraud or other criminal activity.

15. Define interest rate risk.

Interest rate risk is the probability of a decline in the value of an asset resulting from unexpected fluctuations in interest rates. Interest rate risk is mostly associated with fixed-income assets (e.g., bonds. ... In other words, when the interest rate increases, the price of a bond decreases.

16. Explain social risk.

Social risk for a business includes actions that affect the communities around them. Examples include labour issues, human rights violations within the workforce, and corruption by company officials. Public health issues can also be a concern as they can impact absenteeism and worker morale.

17. What is portfolio management?

Portfolio Management is defined as the art and science of making decisions about the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance.

18. What is risk free interest rate?

The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time. .

19. What are Capital returns?

Return of capital (ROC) refers to principal payments back to "capital owners" that exceed the growth of a business or investment.

20. Explain the term ‘return’.

Return, in securities analysis, is the expected value, or mean, of all the likely returns of investments comprising a portfolio. A mean return is also known as an expected return or how much a stock returns on a monthly basis.

UNIT-III

21. What do you mean by Real estate?

Real estate is "property consisting of land and the buildings on it, along with its natural resources such as crops, minerals or water; immovable property of this nature; an interest vested in this an item of real property, buildings or housing in general.

22. What are Government securities?

Government securities are debt instruments issued by a national government as means of borrowing money. Bond holders receive interest payments based on the specified coupon rate, and principal payment, which is a repayment of the face value of the bond at maturity.

23. What is meant by mutual funds?

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets.

24. Expand SEBI and UTI.

- SEBI – Stock exchange board of India.
- UTI - United trust of India

25. Define Mutual Fund.

"A mutual fund is an open ended professionally managed investment fund that pools money from many investors to purchase securities"

26. List out the different types of Life Insurance Schemes.

- Term Plan – pure risk cover.
- Unit linked insurance plan (ULIP) – Insurance + Investment opportunity.
- Endowment Plan – Insurance + Savings.
- Money Back – Periodic returns with insurance cover.
- Whole Life Insurance – Life coverage to the life assured for whole life.

27. State any two provident fund schemes.

There are different types of Provident Funds (PFs) which can be used by an individual for investment and saving purposes. The Balance of Provident Fund account (PF A/c) consists of amount invested by employee (you), amount invested by your employer and interest received on the amount invested.

28. What is close-ended scheme?

A closed-end fund is a portfolio of pooled assets that raises a fixed amount of capital through an initial public offering (IPO) and then lists shares for trade on a stock exchange.

29.What is open ended scheme?

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period.

30. List out the types of bank deposits.

- Savings Bank Account.
- Current Deposit Account.
- Fixed Deposit Account.

- Recurring Deposit Account.

UNIT- IV

31. Expand the terms: (a) PVIF (b) PVIFA (c) FVIFA

- PVIF – Present value interest factor.
- PVIFA-Present value interest factor of an annuity.
- FVIFA – Future value interest factor of an annuity.

32. Define Future Money.

Future value is the value of an asset at a specific date. It measures the nominal future sum of money that a given sum of money is "worth" at a specified time in the future assuming a certain interest rate, or more generally, rate of return; it is the present value multiplied by the accumulation function.

33. What is present value?

In economics and finance, present value, also known as present discounted value, is the value of an expected stream determined as of the date of valuation.

34. How would you classify the types of annuity?

There are five major categories of annuities they are fixed annuities, variable annuities, fixed-indexed annuities, immediate annuities and deferred annuities.

35. What is meant by time value of money?

Time value of money (TVM) is the idea that money that is available at the present time is worth more than the same amount in the future, due to its potential earning capacity. This core principle of finance holds that provided money can earn interest, any amount of money is worth more the sooner it is received.

36. What is future value?

The future value of a dollar is what a dollar today invested at r interest rate will be worth in n years. The formula is: FV = PV (1 + r) n. The present value of a dollar is what a dollar earned in the future is worth in today's money, where. r is the interest rate the money earns.

37. What are the reasons for time value of money?

The time value of money is important because it allows investors to make a more informed decision about what to do with their money. The TVM can help you understand which option may be best based on interest, inflation, risk and return.

38. List out the techniques of time value of money.

- Present value calculations. One common time-value problem deals with expecting a specified sum of money at a point in the future.
- Future value calculations. Future value calculations work in the opposite manner.
- Recurring value techniques.

39. What is PVIF formula?

PVIF = 1 / $(1 + r)^n$. Where: PVIF = present value interest factor. r = interest rate per period. n = number of periods.

40. What is difference between ROI and IRR?

ROI is the percent difference between the current value of an investment and the original value. IRR is the rate of return that equates the present value of an investment's expected gains with the present value of its costs. It's the discount rate for which the net present value of an investment is zero

UNIT-V

41. What is New Issue Market?

A new issue is a stock or bond that is being sold to investors for the first time. The market that deals with these new issues is called the primary market, as opposed to the secondary market that deals with existing shares and bonds.

42. What is secondary market?

Secondary market is the market where previously issued securities, such as stocks and bonds, are traded among investors.

43. Expand NSE and BSE.

- NSE – National stock exchange.
- BSE – Bombay stock exchange.

44. State the aims of SEBI.

- To regulate the activities of stock exchange.
- To protect the rights of investors and ensuring safety to their investment.
- To prevent fraudulent and malpractices by having balance between self-regulation of business and its statutory regulations.

45. Give any two features of Stock Exchange.

- Organised Market.
- Dealings in Securities Issued by Various Concerns.
- Dealing only through Authorised Members.

46. What is fundamental analysis?

Fundamental analysis is a method of evaluating the intrinsic value of an asset and analysing the factors that could influence its price in the future.

47. What is demat account?

Demat Account is an account that is used to hold shares and securities in electronic format.

48. What are the parties involved in issue of shares in stock market?

- Managers to the issue,
- Registrar to the issue,
- Underwriters,
- Bankers,
- Advertising agencies,
- Financial institutions; and.
- Government or statutory agencies.

49. What is industry life cycle analysis?

Industry life cycle analysis is part of fundamental analysis of a company involving the examination of the stage an industry is in at a given point in time.

50. What are the premises of technical analysis?

Technical analysis is a method of forecasting the direction of financial market prices through the evaluation of historic price and, where available, volume data.