FYBIM sem I Reg & A.T.K.T. Exam Oct 2019
15/10/19.

FYBIM

Subject : Basic of Investment & Wealth Creation **SEM-I** **AY: 2019-20**

[Time: 2 ½ Hours]

[Marks: 75]

Note: 1) All questions are compulsory.
2) Figures at right shows full marks for questions
3) Use of simple calculator is permitted.
4) Working notes should form part of answers.

Q.1(A) Choose the correct alternatives from the options given below: (Any Eight) **(08)**

1) Which of the following term is not used for Future Value?
a) Discounted Value b) Sum Due c) Accumulated Value
d) Compounded Value

2) _______________ interest is calculated on growing principal.
a) Simple b) Compound c) Both d) None

3) ________________ is the difference between the value of what you own(assets) and what you owe(liabilities)
a) Wealth b) Deposit c) Interest d) Investment

4) _____________ is the mean annual growth rate of an investment over a specified period of time longer than one year.
a) NPV b) HPR c) IRR d) CAGR

5) _____________ is the rate at which commercial bank lends money to the central bank.
a) Cash Reserve Ratio b) Statutory Liquidity Ratio c) Repo
d) Reverse repo

6) The value attached to money due to passage of time is known as _____________.
a) Present Value of Money b) Place Value of Money
c) Time Value of Money d) Annuity

7) _____________ risk is important for investors who have large amount of over-seas investments.
a) Exchange rate b) Country c) Business d) Economical

8) _____________ is the rate when the present value of cash inflow is equal to the present value of cash outflow.
a) Holding period return b) Internal Rate of Return
c) Effective Rate of Return d) CAGR

9) _____________ risk can be eliminated by diversifying the portfolio.
a) Unsystematic b) Credit c) Systematic d) Business

10) __________ is a liquidity ratio.
a) Capital Gearing Ratio b) Debt-Equity Ratio c) Quick Ratio
d) Fixed Asset Ratio

Q.1 (B) State whether the following statements are True or False (Any Seven) **(07)**

1. Systematic risk is also referred to as unsystematic risk.
2. Portfolio means a combination of financial assets and physical assets.
3. Liquidity means marketability of investments.
4. A mutual fund is a professionally-managed income scheme.
5. Purchase of share is an example of non-financial assets.
6. Debentures are long term investment options with a fixed stream of Interest.
7. Risk profile is defined as the capacity of risk with which an individual is comfortable with.
8. Discounting Technique is used to calculate future value of present money.
9. A series of equal annual payments made at the beginning of the year is known as Ordinary Annuity.
10. Investment involves long term commitment.

.Q.2(A) (i) Kalpesh is likely to receive Rs. 80,000 after 3 years. If the rate of interest is 10% p.a., compounded annually. What is the present value of the cash flow. **(04)**

(ii) Find the future value of an annuity of Rs.25,000 made annually for 7 years at interest rate of 14% compounded annually. **(04)**

Q.2(B) PQR & CO. is considering investing in the following two projects requiring a capital outlay of Rs.80,000. **(07)**

Forecast of annual income after tax are as follows.

YEAR	PROJECT 1	PROJECT 2
1	40,000	20,000
2	20,000	40,000
3	20,000	20,000
4	20,000	20,000

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

OR

Q.2(P) (i) Mr. Z has to receive Rs. 20,000 at the beginning of each year for 5 years. Calculate the Present Value of the annuity due assuming 10% p.a.interest. **(04)**

(ii) Kundan deposit Rs. 40,000 in the beginning of each year in a bank which earns a compound interest of 8% per annum. Find how much amount he will get at the end of 5 years. **(04)**

Q.2(Q) What Impact does Inflation have on the time value of money? **(07)**

Q.3(A) Calculate the Future Value of the cash flows assuming 10% p.a. rate of interest. Payments being made at the end of each year. **(08)**

Year End	1	2	3	4	5
Cash Flows	30,000	60,000	90,000	1,20,000	1,50,000

Q.3(B) Calculate the Present Value of the cash flows assuming discount rate10% p.a. Payments being made at the end of each year. **(07)**

Year End	1	2	3	4	5
Cash Flows	10,000	20,000	20,000	6,000	4,000

OR

Q.3(P) (i) What will be the Future Value of an Investment of Rs. 50,000 compounded half yearly @ 15% per annum for 5 years. **(04)**

(ii) What sum will amount to Rs. 1,61,051 at 10% per annum compound interest in 5 years? **(04)**

Q.3(Q) Neerav borrowed Rs.8,00,000 from a bank which is to be repaid in 2 years. The loan plus interest is to be repaid in equal quarterly instalments. Rate of interest is 12% p.a. Prepare a loan amortization schedule. **(07)**

Q.4(A) The consolidated balance sheet of M/S Dhara Ltd. As on 31st March, 2019 are as follows. **(15)**

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	15,00,000	Fixed Assets	12,00,000
Preference Share Capital	6,00,000	Investment	3,00,000
Reserves	75,000	Stock	4,50,000
Debentures	2,25,000	Debtors	1,50,000
Current Liabilities	75,000	Cash	3,90,000
Bank Overdraft	30,000	Preliminary Expenses	15,000
	25,05,000		**25,05,000**

Calculate:

1. Current Ratio
2. Quick Ratio
3. Debt-Equity Ratio
4. Proprietary Ratio
5. Stock- Working Capital Ratio

OR

Q.4(B) Following is the Revenue Statement of Gagan Enterprises. **(15)**

Particulars	Amount	Particulars	Amount
To opening stock	1,00,000	By sales	5,00,000
To purchases	2,75,000	By closing stock	1,25,000
To factory rent	62,500		
To direct wages	62,500		

To gross profit c/d	1,25,000		
Total	**6,25,000**	**Total**	**6,25,000**
To office rent	6,250	By gross profit b/d	1,25,000
To salaries	12,500	By interest received	8,750
To selling expenses	12,500	By profit on sale of investment	625
To interest	5,000		
To bank charges	1,250		
To depreciation	15,000		
To loss on sale of fixed assets	2,500		
To income tax	22,500		
To net profit	56,875		
Total	**1,34,375**	**Total**	**1,34,375**

Calculate the following ratios:

a) Gross Profit Ratio

b) Operating Ratio

c) Stock Turnover Ratio

d) Selling Expenses Ratio

e) Net Profit Ratio

Q.5(A) Mention the goals of Investment / SMART Goals of Investment. **(08)**

Q.5(B) What do you mean by Financial Investments and Non- Financial Investments? **(07)**

OR

Q.5(C) Write short notes (Any three) **(15)**

1. Future Value
2. Growing Annuities
3. Purchasing Power Risk
4. Alpha and Beta Risks
5. Proprietary Ratio

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