(1)

Q.P. Code 63975
SET 2

Q.1.A Choose the correct answer from the options given below. (Any 8)

1. T
2. T
3. T
4. F
5. T
6. F
7. F
8. F
9. T
10. F

Q.1.B State whether given statements are True or False (Any 7)

1. systematic
2. averse
3. Uncertain
4. Public Offer
5. Financial
6. investments
7. information
8. Mumbai
9. ~~investment~~ India
10. security Exchange Commission

Q.2

1. Define investment. Explain the scope of investment.

Ans. An investment bank is a financial intermediary that specializes primarily in selling securities and underwriting the issuance of new equity shares to raise capital funds. This is different from a commercial bank, which specializes in deposits and commercial loans.

2. Define asset allocation and explain the objective of asset allocation.

Ans. It is one of the investment strategies in which a portfolio manager or an investor tries to balance risk-reward ratio by allocating the funds in different assets as per the risk appetite, time horizon and goal of the investor.

Objectives of Asset Allocation:

The main goal of asset allocation is to reduce overall risk and maximize return. But it should be noted that one cannot eliminate risk by this.

If our investment in one category does not work well, then the assets in other categories can cope up for our losses.

Factors Affecting Asset Allocation:

- Size of the Portfolio
- Time Horizon
- Size of the Portfolio
- Investment Goals

OR

1. Define due diligence and explain the methods of due diligence.

Ans. Due diligence is defined as an investigation of a potential investment or product to confirm all facts, such as reviewing all financial records, plus anything else deemed material. For individual investors, doing due diligence on a security is voluntary, but recommended.

2. Explain the role of venture capital firms in raising funds.

Ans. Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks and any other financial institutions. However, it does not always take just a monetary form; it can be provided in the form of technical or managerial expertise.

Q.3

1. Discuss Private placement methods.

Ans. A method of marketing of securities whereby the issuer makes the offer of sale to individuals and institutions privately without the issue of a prospectus is known as 'Private Placement Method'. This is the most popular method gaining momentum in recent times among the corporate enterprises. Under this method, securities are offered directly to large buyers with the help of shares brokers. This method works whereby securities are first sold to intermediaries such as issues houses, etc. They are in turn placed at higher prices to individuals and institutions. Institutional investors play a significant role in the realm of private placing. The expenses relating to placement are borne by such investors.

2. What is investment banking? Explain the concept of Investment banking.

OR

1. What is risk? Describes the various types of risk.

Ans.

- Systematic Risk
- Unsystematic Risk

- Liquidity risk
- Credit risk
- Reinvestment risk
- Inflation risk
- Credit or Default Risk
- Foreign-Exchange Risk
- Interest Rate Risk
- Political Risk

2. Write a note on Initial Public Offer.

Ans. IPO

Whenever a privately held company decides to go public, it makes an Initial Public Offering (IPO) of its shares into the stock market. Thus, at this stage, the issuance of the company's share is being done for the first time. Companies generally go public to acquire more capital by selling their shares. Small-scale companies or emerging start-ups generally go for IPOs. The move not only helps in improving the company's financial condition but also builds a good reputation of the company in the market. A point to be noted here is that relatively unknown, unlisted companies in the market give up their shares during IPOs.

1. Distinguish between IPO and FPO

Ans. IPO

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FPO

A Follow-on public offering (FPO) is made by a listed company in the stock market that has bought the shares during an IPO and is now putting up the same shares again into the stock market for other investors to buy. Thus, in this case, the same shares are being sold for the second or the third time.

2. Explain the concept of risk and return in brief.

OR

1. Explain the concept of Industry analysis.

Ans. Industry analysis

Industry analysis is a tool that facilitates a company's understanding of its position relative to other companies that produce similar products or services. Understanding the forces at work in the overall industry is an important component of effective strategic planning.

An industry analysis is a business function completed by business owners and other individuals to assess the current business environment. This analysis helps businesses understand various economic pieces of the marketplace and how these various pieces may be used to gain a competitive advantage.

Characteristics of industry

a) Product life-cycle
b) Gap between demand and supply
c) Entry restrictions
d) Attitude of government
e) Competition in the industry
f) Input availability

2. Discuss the recent trends and developments in investment banking.

Q.5

Short notes: As per discretion of the examiner.

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