

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

MCom(CS) DEGREE EXAMINATION MAY 2024  
(Second Semester)

Branch- CORPORATE SECRETARYSHIP

**MAJOR ELECTIVE COURSE – I: INVESTMENT AND TRADING STRATEGIES**

Time: Three Hours

Maximum: 75 Marks

**SECTION-A (10 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Which of the following best defines 'diversification' in portfolio management? a) Concentrating investments in a single asset class b) Spreading investments across different asset classes and securities c) Investing in only high-risk assets d) Investing without considering risk factors	K1	CO1
	2	Which theory focuses on the relationship between risk and return in constructing investment portfolios? a) Efficient Market Hypothesis b) Capital Asset Pricing Model c) Modern Portfolio Theory d) Random Walk Theory	K2	CO1
2	3	The Average Directional Index (ADX) is used to: a) Measure the momentum of a price trend b) Identify overbought or oversold conditions in the market c) Determine the strength of a price trend d) Forecast changes in interest rates	K1	CO1
	4	Which type of wave in Elliott Wave Theory usually moves in the direction of the prevailing trend? a) Wave 1 b) Wave 2 c) Wave 3 d) Wave 4	K2	CO1
3	5	What is an option contract? a) A contract between two parties to exchange currencies at a predetermined exchange rate b) A contract giving the holder the right, but not the obligation, to buy or sell an underlying asset at a specified price on or before a certain date c) A contract allowing investors to borrow funds to invest in securities d) A contract to purchase commodities at a future date	K1	CO1
	6	What distinguishes a currency option from other types of options? a) Currency options are only traded on weekends b) Currency options involve the exchange of one currency for another at a specified rate c) Currency options are only available to institutional investors d) Currency options involve underlying assets denominated in foreign currencies	K2	CO1
4	7	Who are participants in the futures market? a) Only individual investors b) Only institutional investors c) Individuals, institutions, and corporations d) Only government entities	K1	CO1
	8	What is the primary objective of a speculator in the futures market? a) To reduce risk exposure b) To profit from price fluctuations c) To lock in a future price d) To minimize transaction costs	K2	CO1

Cont...

5	9	What is a swaption? a) An option on a swap contract b) A combination of a swap and a straddle c) A type of exotic option d) A synthetic option strategy	K1	CO3
	10	What is the primary function of the interbank market? a) To facilitate currency exchange for retail customers b) To provide loans to central banks c) To facilitate trading among large financial institutions d) To regulate interest rates for consumer loans	K2	CO1

**SECTION - B (35 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Discuss the main purpose of the investment decision.	K6	CO2
		(OR)		
	11.b.	Elaborate the different types of technical analysis charts.		
2	12.a.	How does the Average Directional Index (ADX) help traders assess the strength of a trend? – Analyze.	K4	CO3
		(OR)		
	12.b.	How does the Moving Average Convergence Divergence (MACD) indicator assist traders in making buy and sell decisions? – Examine.		
3	13.a.	Explain the key features of an option contract.	K5	CO4
		(OR)		
	13.b.	Assess: How are margin requirements organized for currency options, and what factors apply to build and influence them?		
4	14.a.	Illustrate the different types of participants in the futures market, and how do they contribute to market dynamics?	K4	CO3
		(OR)		
	14.b.	Analyze the key indicators traders use to identify divergence signals.		
5	15.a.	Appraise the exotic options and discuss their main features and applications in financial markets.	K5	CO4
		(OR)		
	15.b.	Explain the different types of swaptions available in financial markets.		

**SECTION - C (30 Marks)**

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Examine the Dow Theory and its relevance to technical analysis.	K4	CO3
2	17	Explain the factors should be considered when making buy and sell decisions in investment management.	K5	CO4
3	18	Examine the importance of strike price selection in option trading.	K4	CO3
4	19	Explain support and resistance strategies in technical analysis, and how traders use them to make trading decisions.	K5	CO4
5	20	Elaborate the advantages and limitations of using a binomial tree in option pricing.	K6	CO2