C 32785 (Pages : 3) Name..............................

Reg. No..............................

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2017

(CUCSS)

BUS 3C 21—INVESTMENT MANAGEMENT

(2016 Admissions)

Time : Three Hours Maximum : 36 Weightage

Part A

Answer the following.
Each question carries 1 *weightage.*

1. What is book building ?
2. Explain the relationship between risk and return ?
3. What is portfolio beta ?
4. What does security analysis mean ?
5. How portfolio evaluation and portfolio revision are related ?
6. How do we find intrinsic value of a security ?

(6 × 1 = 6 weightage)

Part B

Answer any **four** *questions of the following.*
Each question carries 3 *weightage.*

7. What is private placement ? Explain the importance and its mode of operation in primary market in India ?
8. Distinguish between systematic risk and unsystematic risk. How do we measure these risks ?
9. Explain Random Walk Theory ? What are its assumptions ?
10. What are the basic principles of Technical Analysis ? Explain the use of charts and trends in Technical Analysis.
11. An investor wants to purchase a Bond with a maturity 3 years, coupon rate 11% and par value Rs. 100 :
    (a) If the investor requiring YTM 15 % of equivalent risk and maturity, what is the price he should pay ?
    (b) If the bond is selling at a price of Rs. 97.59, what is its YTM ?
    (c) What is the duration of the bond if YTM is 12 % and expected return is 10.06 % ?

Turn over

12. A company's stock is currently selling for Rs. 50, the latest dividend paid by the firm was Rs. 2, and future dividends are expected to grow at 7 percent. Compute the expected rate of return for this stock.

($4 \times 3 = 12$ weightage)

Part C

Answer any **three** *of the following.*
Each question carries 4 weightage.

13. Consider a portfolio of 300 shares of firm A worth Rs. 10/ share and 50 shares of firm B worth Rs. 40 / share. You expect a return of 8 % for stock A and a return of 13 % for stock B.

    (a) What is the total value of the portfolio, what are the portfolio weights and what is the expected return ?

    (b) Suppose firm A's share price goes up to Rs. 12 and firm B's share price falls to Rs. 36, what is the new value of the portfolio ? What return did it earn ? After the price change, what are the new portfolio weights ?

14. What is the significance of the following results ? Carryout a comparative analysis ?

Particulars		*Stock A*	*Stock B*	*Stock C*
Beta	...	0.80	– 0.21	1.20
Standard Deviation of returns	...	4.39	1.93	5.39
Correlation with market	...	0.535	– 0.326	0.795

15. What is portfolio revision? Explain the active and passive strategies in portfolio revision.

16. A firm has paid a dividend of Rs. 5 per share last year. The growth in the dividends is expected to be 5 % per annum. Determine the estimated market price of the equity share if growth rate of dividend : (i) rises to 10 % and (ii) falls to 2 % (iii) Find the present market price of the share, if required rate of return of the investor is 15 %.

17. Define the Efficient Market Hypothesis. What kinds of empirical evidence were produced to reject the efficient market hypothesis ?

($3 \times 4 = 12$ weightage)

Part D

Compulsory *question.*
The question carries 6 weightage.

18. Calculate the Sharpe's Index for Portfolios X, Y and Market (M) from the following data :

	X	Y	M
Standard deviation ...	18 %	16 %	8 %
Return ...	14 %	20 %	20 %

The risk free rate is 10%. Which of the above portfolios you would prefer and why ?

(1 × 6 = 6 weightage)