THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2019

(CUCSS)

M.B.A.

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 ?

Turn over

(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% ?

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 × 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 × 4 = 12 weightage)

Part D

Compulsory *question.*

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)