**D 12353** **(Pages : 3)** **Name.......................................**

**Reg. No...................................**

# THIRD SEMESTER M.B.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, JANUARY 2022

M.B.A.

BUS 3C 21—INVESTMENT MANAGEMENT

(2016 Scheme)

Time : Three Hours Maximum : 36 Weightage

## Part A

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

1. Give the economic meaning of the term ‘Investment’.
2. What is a key factor in analyzing bonds ?
3. Differentiate technical and fundamental analysis
4. What are oscillators ?
5. Define the term “Market Indicators”.
6. What is meant by Security Market Line ?

(6 × 1 = 6 weightage)

## Part B

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

7. Explain the characteristics and objectives of investments.
8. Describe the concept of risk and return and its types.
9. Explain in detail the Dow Theory. How is it used to determine the direction of the stock market ?
10. Consider the following information about two stocks where the probability of an economic boom is 40% :

| Economic State | Return A (RA) | Return B (RB) |
|---|---|---|
| Boom | 38% | 6% |
| Recession | – 4% | 12% |

a) Calculate the expected return for stock A and stock B.

b) Calculate the standard deviation of stock A and stock B.

**Turn over**

11. Using the CAPM (capital asset pricing model) and SML (security market line), what is the expected rate of return for an investment with a Beta of 1.8, a risk free rate of return of 4%, and a market rate of return of 10%.

12. Discuss the major services provided by merchant banker in India.

(4 × 3 = 12 weightage)

## Part C

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

13. Examine the feature of various investment alternatives by highlighting their merits and demerits.

14. You are given the historical performance information on capital market and a mutual fund :

| Year | Mutual fund beta | Mutual fund return (%) | Return on market index (%) | Return on Govt. securities (%) |
|---|---|---|---|---|
| 1 | 0.9 | – 3.0 | – 8.5 | 6.5 |
| 2 | 0.95 | 1.5 | 4.00 | 6.5 |
| 3 | 0.95 | 18.0 | 14.00 | 6.0 |
| 4 | 1.00 | 22.00 | 18.5 | 6.0 |
| 5 | 1.00 | 10.0 | 5.7 | 5.75 |
| 6 | 0.9 | 7.00 | 1.2 | 5.75 |
| 7 | 0.8 | 18.00 | 16.0 | 6.0 |
| 8 | 0.75 | 24.00 | 18.0 | 5.5 |
| 9 | 0.75 | 15.00 | 10.0 | 5.5 |
| 10 | 0.7 | – 2.00 | 8.0 | 6.0 |

Calculate the following risk adjusted returns measures for mutual fund and market index :

a) Reward-to-Variability ratio.

b) Reward-to-Volatility ratio.

Also comment on the mutual fund's performance.

15. Elaborate the characteristics and implications of efficient market theory on investment.

16. Consider two stocks, P and Q :

| Stock | Expected return (%) | Standard Deviation |
|---|---|---|
| P | 16% | 25% |
| Q | 18% | 30% |

The returns on the two stocks are perfectly negatively correlated.

What is the expected return of a portfolio constructed to drive the standard deviation of portfolio return to zero ?

17. Examine the role of SEBI in regulating the securities market in India.

(3 × 4 = 12 weightage)

## Part D

*Answer the* **compulsory** *question.*
*Question carries* 6 *weightage.*

18. The following information is available :

| | Stock A | Stock B |
|---|---|---|
| Expected Return | 16% | 12% |
| Standard Deviation | 5% | 8% |

Coefficient of correlation 0.60.

Questions :

a) What is covariance between Stocks A and B ?

b) What is the expected return and risk of a portfolio in which A and B have weights of 0.6 and 0.4 ?

(6 weightage)