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

THIRD SEMESTER M.B.A. DEGREE EXAMINATION
NOVEMBER 2011

(CCSS)

Business Administration

BUS 3C 23—INVESTMENT MANAGEMENT

(2009 Admissions)

Time : Three Hours Maximum : 60 Marks

Section A

Answer **all** *questions.*
Each question carries 2 *marks.*

1. What do you mean by listing of securities ?
2. Differentiate between primary and secondary market.
3. What is Options ?
4. What do you mean by stock indices ?
5. What is cut–off rate in portfolio selection ? (5 × 2 = 10 marks)

Section B

Answer any **four** *questions.*
Each question carries 5 *marks.*

6. Select a best portfolio for an investor who falls in the risk bracket of 30 percent.

Portfolio :	1	2	3	4	5
Standard deviation :	10%	12%	13%	15%	17%
Return :	12%	14%	16%	18%	20%

7. Suppose an investor buy a one year government bond that has a maturity value of Rs. 1,000. The market interest rate is 8 per cent. How much will the investor pay for the bond if it pays 10 percent interest per annuam. and the face value of the bond is Rs. 1,000.
8. Discuss the role of secondary market in a capital market.
9. Explain the functions of SEBI.
10. Discuss the concept of derivatives.
11. Explain the need for portfolio evaluation. (4 × 5 = 20 marks)

Section C

Answer any **two** *questions.*
Each question carries 7½ *marks.*

12. Elucidate different approaches to valuation.
13. State and explain the objectives of company analysis.

Turn over

14. The following was the initial portfolio structure for an investor, Use the constant ratio plan to revise the investor's portfolio for the given price change.

Initial position–1000 shares at Rs. 32 and bonds worth Rs. 5,000. The share price movements were Rs. 30, Rs. 25, Rs. 20, Rs. 28, Rs. 35, Rs. 42, Rs. 36, Rs. 35, Rs. 32 and Rs. 30. Assume the investor reacts to a 10 percent change in the portfolio structure.

(2 × 7½ = 15 marks)

Section D

(Compulsory)

15. Mr. Shyamulu, a prospective investor, is evaluating a new company's share which is currently selling for Rs. 20 per share. He is not sure about the returns from his investment. His required rate of return is 15% and he would like to hold the share for 10 years before he sells them. As regards the dividend payment by the company, he visualises three possibilities. First, the company may reinvest all its earnings and may not pay any dividend. Second, the company may pay a constant dividend of Rs. 4. Third, the company may start with a dividend of Rs. 3 per share, which may grow at a constant rate of 10 percent. He expects different share prices at the end of 10^{th} year. He anticipates share price of Rs. 50, Rs. 40 and Rs. 30 respectively under alternatives one to three.

How much would be his return if he invests in share's ?

(1 × 15 = 15 marks)