(Pages : 2) Name.....

Reg. No.....

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, JANUARY 2012

Paper 3.1—INVESTMENT MANAGEMENT

(2010 Admissions)

Time : Three Hours Maximum Weightage : 36

Answer **all** *parts.*

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. Explain the trading system in stock exchange.
2. Explain the procedure for the buy back of shares.
3. What are normalized earnings ?
4. Explain swap agreement.
5. What are the basic assumption of fundamental analysis ?
6. What are divergences ? What do they signify ?

(6 × 1 = 6 weightage)

Part B

Answer any **six** *questions.*
Each question carries 3 *weightage.*

7. Explain how derivatives help in risk management.
8. Contrast the various formula plans that are available to an investor for portfolio revision.
9. Explain risk–return behaviour of investors using the prospect theory.
10. List a few lag and lead indicators and discuss the use of these indicators in timing a market trade.
11. Explain the common pattern recognised by technical analysis.
12. Explain how ratios help in the performance analysis of a company.
13. Explain the binomial model of pricing options.
14. What are the quantitative models of equity valuation ? Discuss their limitations.

(6 × 3 = 18 weightage)

Part C

Answer any **two** *questions.*
Each question carries 6 *weightage.*

15. Elaborate the various equity valuation approaches. Which do you think is a more appropriate for investors ?

Turn over

16. On November 14, 2010 Tata Shares have a market price of Rs. 442.35. The option expiry date is November 28, 2010. The interest rate is 5% p.a. and the estimated velatility of the share is 10% p.a. use the Black–Scholar (non–dividend payment) option pricing model to calculate fair prices for

(a) Rs. 440,

(b) Rs. 400 and

(c) Rs. 450 strike price call option expiry in November.

17. Two Securities A and B are considered for investment. Compute the risk and return of the portfolio assuming the two securities, whose correlation co-efficient of return is — 0.84, are combined in the following proportions in the portfolio.

(a) 0 : 100,

(b) 10 : 90,

(c) 20 : 80,

(d) 50 : 50,

(e) 80 : 20,

(f) 90 : 10 , and

(g) 100 : 0.

The historical risk–return of the two securities is as follows :

Security		Risk % (Standard Deviation)	Return %
A	...	20	15
B	...	30	20

(2 × 6 = 12 weightage)