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THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2014

BUS 3C 22—INVESTMENT MANAGEMENT

(2013 Admissions)

Time : Three Hours   Maximum : 36 Weightage

Part A

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

1. Define Investment.

2. What is systematic risk ?

3. What do you mean by fundamental analysis ?

4. What is a portfolio ?

5. What is a growth fund ?

6. What is dematerialisation ?

$(6 \times 1 = 6$ weightage)

Part B

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

7. Discuss the functions of primary market.

8. Explain the process of credit rating.

9. Describe different concepts of valuation.

10. Explain the purpose of technical analysis.

11. Describe the components of industry analysis.

12. Elucidate the constant rupee value plan to revise portfolio.

13. A portfolio consists of three securities P, Q and R with the following parameters :

Details		P	Q	R
Expected return %	...	25	22	20
Standard Deviation %	...	30	26	24

Correlation :

PQ – 0.50

QR + 0.40

PR + 0.60

If the securities are equally weighted, how much is the risk and return of the Portfolio of these three securities ?

Turn over

14. A company proposes to sell ten year debentures of Rs. 10,000 each. The company would repay Rs. 1,000 at the end of every year and will pay interest annually at 15 percent on the outstanding amount. Determine the present value of the debentures issue if the discount rate is 16 percent. Would it be a desirable investment ?

$(6 \times 3 = 18$ weightage)

Part C

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

15. The equity shares of a company offer a current dividend of Rs. 4.00 per shares. The rate of dividend is expected to grow at 6 percent for the first five years and at 8 per cent per year there after. The rate of return required for an investor is 15 percent. Find the intrinsic value of the equity share. Would it be a desirable investment if the current market price is Rs. 60 ? Why ?

16. Compare the following portfolios on the basis of Sharpe's ratio an offer your comment : The risk free rate of return is 8 percent.

Portfolio		Return from the Portfolio	Standard deviation (%)	Beta
A	...	10	13	0.75
B	...	12	16	1.10
C	...	15	22	1.30
D	...	20	26	1.45
Market portfolio	...	14	18	1.00

17. Bring out and explain different investment avenues available to Indian investors.

$(2 \times 6 = 12$ weightage)