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

THIRD SEMESTER M.B.A. DEGREE EXAMINATION
JANUARY 2014

Business Administration

M.B.A. 3.1—INVESTMENT MANAGEMENT

(2010 Admissions)

Time : Three Hours Maximum : 36 Weightage

Part A

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

1. What is portfolio selection ?
2. What is cut-off rate in investment ?
3. What primary market ?
4. What do you mean by NAV of mutual funds.
5. What is market index ?
6. What is derivatives ?

($6 \times 1 = 6$ weightage)

Part B

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

7. Explain the advantages of listing of securities.
8. Elucidate the process of credit rating in India.
9. Describe the methods of technical analysis.
10. Explain the functions of merchant bankers.
11. Bring out the reforms introduced by SEBI in primary market.
12. A company is selling Rs. 1000, ten year maturity bond for Rs. 950. It also pays a percent interest annually. If the company pay Rs. 1000 on maturity, what is the value of bond ? Assume that the expected return is 10%.

Turn over

13. Determine which of the following securities are overpriced and which are under priced :

Security	:	1	2	3	4
Estimated return %	:	20	22	21	18
Beta	:	1.5	1.7	1.6	1.4

the risk free rate is 8% and the market return is expected to be 19 percent.

14. Give the minimum risk portfolio from the combination of the following securities

Security	:	1	2
Risk	:	15%	20%
Return	:	20%	30%

(6 × 3 = 18 weightage)

Part C

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

15. Explain the significance of online trading in Indian Capital Market.

16. Show that effect of the rupee cost averaging on a port-folio of 1,000 shares bought at Rs. 50, when the following price changes happen :

Rs. 54, Rs.56, Rs. 43, Rs. 48 and Rs. 52.

17. A prospective investors is evaluating three investment alternatives. This cost of capital is 10 percent.

(a) The current price of share is Rs.100, which will pay Rs.10 constant dividend forever.

(b) The second share is selling for Rs.75, which paid Rs.75 dividend in the previous year, which will grow at 8 percent forever.

(c) Third share is selling for Rs.50, and in the past it paid Rs.5 dividend, which will grow at 12 percent for first 5 years, thereafter at 10 percent for next three years. After that it will grow at 8 percent forever compute the value of shares. Which share is overprice *or* underprice. Comment on your results.

(2 × 6 = 12 weightage)