(Pages : 2)

Name.....................................

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

THIRD SEMESTER M.B.A. DEGREE EXAMINATION
DECEMBER 2015

MBA 3.1—INVESTMENT MANAGEMENT

(2010—2012 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all the questions.
Each question carries 1 weightage.

1. What is an investment ?

2. What do you mean by risk ?

3. What do you mean by fundamental analysis ?

4. What is portfolio diversification ?

5. What is balanced fund ?

6. What is dematerialisation of securities ?

$(6 \times 1 = 6$ weightage$)$

Part B

Answer any six questions.
Each question carries 3 weightage.

7. Discuss the significance of primary market.

8. Explain the advantages of credit rating.

9. Describe different concepts of valuation.

10. Explain the basic principles of technical analysis.

11. Describe the components of industry analysis.

12. Elucidate the formula plans of portfolio revision.

13. Show the effect of the rupee cost averaging on a portfolio of 1,500 shares bought at Rs. 75, when the following price changes happen : Rs. 83, Rs. 85, Rs. 69, Rs. 73, and Rs. 78.

14. Mr. X is considering two bonds for investment. A PSU is offering Rs. 25,000 face value deep discount bonds with 10 year maturity at Rs. 7,750. He is also considering bonds issued by a private company with 15 per cent coupon rate and Rs. 1,000 face value with 10 year maturity. The company will redeem the bond at Rs. 1,100 on maturity. If the required rate of return of the investor is 15 per cent, what is the value of bonds ? Comment on the results.

$(6 \times 3 = 18$ weightage$)$

Turn over

Part C

Answer any two questions.
Each question carries 6 weightage.

15. Vikash Engineering Ltd. has current dividend per share of Rs. 5 which has been growing at an annual rate of 10 per cent. The company is expecting significant technical improvement and cost reduction in its operations, which would increase growth rate to 15 per cent for the first 5 years and thereafter at 10 per cent forever. The capitalisation rate of the company is 15 per cent. You are required to calculate (a) the value of the share assuming the current growth rate ; and (b) the value of the share if the company achieves technical improvement and cost reduction ; (c) What is the value of growth opportunity ?

16. Compare the following portfolios on the basis of Sharpe's ratio and offer your comment : The risk free rate of return is 7 per cent.

Portfolio	Return from the portfolio	Standard deviation (%)	Beta
A	12	15	0.90
B	14	18	1.15
C	17	24	1.35
D	22	28	1.40
Market portfolio	16	20	1.00

17. Bring out and explain institutional arrangements for investments in securities in India.

$(2 \times 6 = 12 \text{ weightage})$