

**D 72543**

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**Name.....**

**Reg. No.....**

**THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2019**

**(CUCSS)**

**M.B.A.**

**BUS 3C 21—INVESTMENT MANAGEMENT**

**(2016 Admissions)**

**Time : Three Hours**

**Maximum : 36 Weightage**

**Part A**

*Answer the following.*

*Each question carries 1 weightage.*

1. What is book building ?
2. Explain the relationship between risk and return ?
3. What is portfolio beta ?
4. What does security analysis mean ?
5. How portfolio evaluation and portfolio revision are related ?
6. How do we find intrinsic value of a security ?

**(6 × 1 = 6 weightage)**

**Part B**

*Answer any four questions of the following.*

*Each question carries 3 weightage*

7. What is private placement ? Explain the importance and its mode of operation in primary market in India ?
8. Distinguish between systematic risk and unsystematic risk. How do we measure these risks ?
9. Explain Random Walk Theory ? What are its assumptions ?
10. What are the basic principles of Technical Analysis ? Explain the use of charts and trends in Technical Analysis ?
11. An investor wants to purchase a Bond with a maturity 3 years, coupon rate 11 % and par value Rs. 100 :
  - (a) If the investor requiring YTM 15% of equivalent risk and maturity, what is the price he should pay ?

**Turn over**

(b) If the bond is selling at a price of Rs. 97.59, what is its YTM ?

(c) What is the duration of the bond if YTM is 12% and expected return is 10.06% ?

12. A company's stock is currently selling for Rs. 50, the latest dividend paid by the firm was Rs. 2, and future dividends are expected to grow at 7 percent. Compute the expected rate of return for this stock.

(4 × 3 = 12 weightage)

### Part C

*Answer any three of the following.*

*Each question carries 4 weightage.*

13. Consider a portfolio of 300 shares of firm A worth Rs. 10/share and 50 shares of firm B worth Rs.40/share. You expect a return of 8% for stock A and a return of 13% for stock B :

- (a) What is the total value of the portfolio, what are the portfolio weights and what is the expected return ?
- (b) Suppose firm A's share price goes up to Rs.12 and firm B's share price falls to Rs. 36, what is the new value of the portfolio ? What return did it earn ? After the price change, what are the new portfolio weights ?

14. What is the significance of the following results ? Carryout a comparative analysis ?

| Particulars                   | Stock A | Stock B | Stock C |
|-------------------------------|---------|---------|---------|
| Beta                          | 0.80    | - 0.21  | 1.20    |
| Standard Deviation of returns | 4.39    | 1.93    | 5.39    |
| Correlation with market       | 0.535   | - 0.326 | 0.795   |

15. What is portfolio revision? Explain the active and passive strategies in portfolio revision.
16. A firm has paid a dividend of Rs. 5 per share last year. The growth in the dividends is expected to be 5% per annum. Determine the estimated market price of the equity share if growth rate of dividend: (i) rises to 10% and (ii) falls to 2% (iii) Find the present market price of the share, if required rate of return of the investor is 15%.
17. Define the Efficient Market Hypothesis. What kinds of empirical evidence were produced to reject the efficient market hypothesis ?

(3 × 4 = 12 weightage)

**Part D****Compulsory question.****6 weightage.**

18. Calculate the Sharpe's Index for Portfolios X, Y and Market (M) from the following data :

|                    | X   | Y   | M   |
|--------------------|-----|-----|-----|
| Standard deviation | 18% | 16% | 8%  |
| Return             | 14% | 20% | 20% |

The risk free rate is 10%. Which of the above portfolios you would prefer and why ?

(1 × 6 = 6 weightage)