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14MBAFM303

Third Semester MBA Degree Examination, Dec.2018/Jan.2019
Investment Management

Time: 3 hrs. Max. Marks:100

SECTION – A

Note : 1. Answer any FOUR questions from Q.No.1 to Q.No.7.
2. PV tables are permitted.

1 List the major players in the secondary market. **(03 Marks)**

2 What do you mean by support and resistance level? **(03 Marks)**

3 What is systematic risk? Name any two sources of systematic risk. **(03 Marks)**

4 What is Net Asset Value (NAV)? **(03 Marks)**

5 Name any three capital market instruments. **(03 Marks)**

6 What is behavioural finance? **(03 Marks)**

7 ABC company's preference share is currently selling for Rs.44 per share in the market and pays Rs.4.40 annual dividend. If an investors required rate of return is 12%, what is the value of preference share for that investor? Should investor acquire? **(03 Marks)**

SECTION – B

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

1 What factors to be considered before investing in the primary market? **(07 Marks)**

2 What is investment? Explain the differences between investor and speculator. **(07 Marks)**

3 What are the economic factors need to be studied by the investor in fundamental analysis? **(07 Marks)**

4 The current dividend on an equity share of XYZ Ltd is Rs.2. It is expected to enjoy an above normal growth rate of 20% for a period of 6 years there after the growth rate will fall and stabilizes at 10%. Equity investors required rate of return is 15%. What is the intrinsic value of equity shares of XYZ ltd? **(07 Marks)**

5 The return on two securities A and B are given below. Select the security according to risk and return. **(07 Marks)**

State of Economy	Stock A		Stock B	
	Probability	Return	Probability	Return
Boom	0.30	16	0.30	40
Normal	0.50	11	0.40	10
Recession	0.20	06	0.30	-20

6 From the following data the NIFTY returns and HCL scrip returns is given for a particular period.

NIFTY returns	0.5	0.6	0.5	0.6	0.8	0.5	0.8	0.4	0.7
HCL returns	0.3	0.6	0.4	0.5	0.6	0.3	0.7	0.5	0.6

i) What is β value

ii) If market return is 2 what would be the HCL scrip return. **(07 Marks)**

7 Arun has a portfolio of 3 shares A, B and C the following details relate to threes shares. You are required to calculate the expected rate of return and standard deviation of the portfolio.

Share	Proportion	Standard deviation	Expected return
A	40%	8	16%
B	25%	12	22%
C	35%	6	12%

Correlation coefficients:
A and B = 0.74
B and C = 0.46
A and C = 0.82 **(07 Marks)**

SECTION – C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

1 Explain the different forms of market efficiency? Explain empirical tests for weak form of market efficiency. **(10 Marks)**

2 Differentiate between capital market and money market. Explain the money market instruments. **(10 Marks)**

3 What is CAPM? What are the assumptions of CAPM? **(10 Marks)**

4 The following data is available for a bond:

Face value	= Rs.1,000
Cupon rate	= 16%
Yield to maturity	= 6 years
Current market price	= Rs.964.50
Redemption value	= Rs.1000

What is yield to maturity and duration of the bond? **(10 Marks)**

5 ABB currently pays a dividend of Rs.2 per share and this dividend is expected to grow at 15% for 3 years; then at 12% for the next 3 years and at 5% forever thereafter. What is the value of the equity share if the required rate is 9%? **(10 Marks)**

6 The following information is available of stock fund consisting of four stocks with the following market values and betas:

Stock	Amount Invested	Beta	Expected return
A	1000	0.80	8%
B	2000	0.95	12%
C	3000	1.10	15%
D	4000	1.40	18%

What is the expected return and beta of this portfolio? **(10 Marks)**

7 Consider the following information for 3 mutual funds A, B, C and the market:

Portfolio's	Mean return	Standard deviation	Beta
A	12	18	1.1
B	10	15	0.90
C	13	20	1.20
Market index	11	17	1

The mean risk free rate is 6%. Calculate the treynor, sharpe and Jenson measure for the 3 portfolio and the market index. **(10 Marks)**

SECTION – D
(Compulsory)

8 An investor wants to build a portfolio with the following four stocks. With given details, find out his portfolio return and risk. The investment is spread equally over the stocks.

Company	α	β	Residual variance σ^2_{ei}
ACC	0.17	0.93	45.15
Sun pharma	2.48	1.37	132.25
Tata motors	1.47	1.73	196.28
Yes bank	2.57	1.17	51.98

The market return is 11% and variance on market return is 26%.

(20 Marks)

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