Third Semester MBA Degree Examination, June/July 2019
Investment Management

Time: 3 hrs.

Max. Marks:100

Note : 1. Answer any FOUR questions from Q.No.1 to Q.No.7.
2. Use of present value table is permitted.

SECTION – A

1	What are the three concepts of investments?	(03 Marks)
2	What do you mean by secondary market?	(03 marks)
3	How is economic growth related to stock prices?	(03 marks)
4	What is SML?	(03 Marks)
5	What is meant by fundamental analysis?	(03 marks)
6	Define the meaning of a portfolio.	(03 marks)
7	Distinguish between systematic and unsystematic risk.	(03 Marks)

SECTION - B

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

1	Discuss the attribute that one should consider while enalnaing an investment.	(07 marks)
2	Briefly explain the assumptions in Markowitz model.	(07 Marks)
3	What are the economic factors influencing the analysis of equity stock? Discuss.	(07 marks)
4	Briefly describe the steps involved in a public issue.	(07 Marks)

5 The following data gives the market return and Sun Pharma Company's scrip return for a particular period.

Scrip Return (R_i)	Market Return (R_m)
0.50	0.30
0.60	0.60
0.50	0.40
0.60	0.50
0.80	0.60
0.50	0.30
0.80	0.70
0.40	0.50
0.70	0.60

a) What is the beta value of the Sun Pharma Company scrip?
b) If the market return is 2, what would be the scrip return? (07 Marks)

6 A chemical company paid a dividend of Rs. 2.75/- during the current year. forecasts suggest that earnings and dividends of the company are likely to grow at the rate of 8 percent over the next five years and the rate of 5 percent thereafter. Investors have traditionally required a rate of return of 20% on these shares. What is the present value of the stock? **(07 Marks)**

7 Assume you are a portfolio manager. With the following details, determine the securities that are overpriced and those that are under price inters of SML.

Security	Actual Return	BETA	Standard Deviation
A	0.33	1.7	0.50
B	0.13	1.4	0.35
C	0.26	1.1	0.40
D	0.12	0.95	0.24
E	0.21	1.05	0.28
F	0.14	0.70	0.18
Nifty index	0.13	1.00	0.20
T - Bills	0.09	0.0	0.0

(07 Marks)

SECTION - C

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

1 What is random walk theory? Explain the various forms of market efficiency. **(10 Marks)**

2 Write a brief note on different types of mutual funds. **(10 Marks)**

3 Explain different types of risks associated with the investment. **(10 Marks)**

4 Calculate the 5 day EMA for the data given below :

Day	1	2	3	4	5	6	7	8	9	10
Closing price (Rs.)	90	95	94	96	100	98	96	95	97	100

(10 Marks)

5 The returns on securities A and B are given below :

Probability	Security A	Security B
0.5	4	0
0.4	2	3
0.1	0	3

Give the security of your preference based on return and risks. **(10 Marks)**

6 The following information is provided, regarding the performance of the funds ; namely Birla advantage, Sundaram growth and sun F and C value, for a period of six months ending. August – 2015. The risk free rate of interest is assumed to be 9%. Rank them with the help sharpe index and Treyonor index.

	R_p	σ_p	B_p
Birla Advantage	25.38	4	0.23
Sundaram growth	25.11	9.01	0.56
Sun F and C value	25.01	3.55	0.59

(10 Marks)

7 Explain the CAPM theory and its validity in the stock market. **(10 Marks)**

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SECTION - D
CASE STUDY – [Compulsory]

The expected rates of return and the possibilities of their occurrence for Alpha company and Beta company scirps are given below :

probability of occurrence	Return On Alphas Scrip	Return on Beta's Scrip
0.05	−2.00	−3.00
0.20	9.00	6.00
0.50	12.00	11.00
0.20	15.00	14.00
0.05	16.00	19.00

a. Find out the expected rates of return for alpha and beta scrips.   **(05 Marks)**
b. If an investor invests in equal proportion on both the scrips, what would be the return?
                                                                                                 (05 Marks)
c. If the proportion is changed to 25%. And 75% and then to 75% and 25%. What would be the excepted rates of return?   **(10 Marks)**

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