



USN 

--	--	--	--	--	--	--	--	--	--

**Third Semester MBA Degree Examination, Dec.2015/Jan.2016**  
**Investment Management**

Time: 3 hrs.

Max. Marks:100

**SECTION – A**

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

- 1 Distinguish between investment and speculation. (03 Marks)
- 2 What is book building? (03 Marks)
- 3 What is meant by Beta of a stock? (03 Marks)
- 4 What is bond indenture? (03 Marks)
- 5 What is RSI? (03 Marks)
- 6 What is meant by Markowitz efficient frontier? (03 Marks)
- 7 What is NAV? (03 Marks)

**SECTION – B**

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

- 1 Explain the attributes that one should consider while evaluating an investment. (07 Marks)
- 2 Explain the three important ways in which a company may raise equity capital in the primary market. (07 Marks)
- 3 “Unsystematic risk can be minimized, systematic risk can be managed” – Do you agree? How? (07 Marks)
- 4 The current dividend on an equity share of Pioneer Technology is ₹ 3.00. Pioneer is expected to enjoy an above-normal growth rate of 40% for 5 years. Thereafter, the growth rate will fall and stabilize at 12%. Equity investors require a return of 15% from Pioneer’s stock. What is the intrinsic value of the equity share of Pioneer? (07 Marks)
- 5 Prepare a Du-pont equation from the following information:
 

Net Profit = 190	Average equity = 538	
Total revenues = 1100	Average total assets = 958.	(07 Marks)

6 Consider two stocks P and Q

	Stock P	Stock Q
Expected return	16%	12%
Standard deviation	15%	8%
Coefficient of correlation	0.60	

- (a) What is the covariance between stocks P and Q?
- (b) What is the expected return and risk of a portfolio in which P and Q have weights of 0.6 and 0.4. (07 Marks)

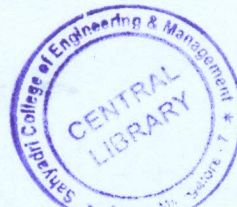
7 Explain the pros and cons of investing in a mutual fund. (07 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank page. 2. Any revealing of identification, appeal to evaluator and /or equations written eg. 42+8 = 50, will be treated as malpractice.









**SECTION - D**  
**(Compulsory)**

- 8 Arul got the following information regarding his favourite stocks. He wants to invest in all four stocks equally.

Stock	$\alpha$	$\beta$	$\sigma_{ei}^2$
1	1.27	1.50	50
2	1.02	1.05	40
3	2.48	1.37	20
4	0.47	0.86	35

The market variance is 25. The markets' expected return is 20%.

- (a) What would be Arul's portfolio return and risk?  
(b) Can you advise him regarding the amount to be allocated on each security so as to enhance his earnings?

(20 Marks)

\* \* \* \* \*