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14MBAFM303

Third Semester MBA Degree Examination, Dec.2016/Jan.2017

Investment Management

Time: 3 hrs. Max. Marks:100

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

SECTION - A

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

1 What is Callability Risk? **(03 Marks)**

2 What is Gambling? **(03 Marks)**

3 Define Rights issue. **(03 Marks)**

4 What is Purchasing Power risk? **(03 Marks)**

5 What do you mean by 'OOD LOT' Trading? **(03 Marks)**

6 What is Constant Rupee value plan? **(03 Marks)**

7 Alpha of a stock is 3.72, Beta is 0.99 and market return is 13.5%. What is expected return of the stock? **(03 Marks)**

SECTION - B

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

1 Differentiate between Investment and speculation. **(07 Marks)**

2 Discuss the constant ratio plan and variable ratio plan of port folio revision. **(07 Marks)**

3 What is Technical Analysis and what are the basic principles of technical analysis? **(07 Marks)**

4 Who are the major participants in the securities market? **(07 Marks)**

5

Market return	-6.54	3.37	-3.01	0.14	-1.57	-2.28	3.28	-0.95	0.47
Company X's stock return	-4.52	2.13	-3.96	-0.94	-1.71	-4.76	8.00	0.04	6.5

Compute the Beta of company X's stock. **(07 Marks)**

6 Texton Ltd is expected to pay a dividend of Rs 7 in the next year. The dividend in subsequent year is expected to grow at the rate of 10% per year. If the required rate of return is 15% per year, what should be its price? Is it advisable to buy the share if its market value is Rs 150? **(07 Marks)**

7 Compute the relative strength index of company X's share. **(07 Marks)**

Day	1	2	3	4	5	6	7	8	9	10
Price	300	304	319	317	319	333	331	332	348	346

SECTION - C

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

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

2 What are the commonly analysed macro economic factors as a part of fundamental analysis? **(10 Marks)**

3 Write a brief note on different types of mutual fund. **(10 Marks)**

4 Explain different forms of market efficiency. **(10 Marks)**

5 Mr. Nithyananda is considering following investment alternatives. What should be the required rate of return for each of the following investments if return on the market is 12% and return on treasury bill is 6.75%. **(10 Marks)**

Security	A	B	C	D	E
Beta	1.20	0.80	1.50	0.60	1.25

Also compute expected return of portfolio, if he invests equally on all the stocks.

6 The following information are related to portfolio of an investor. **(10 Marks)**

Security	Beta	Alpha	Residual variance
M	1.4	3	300
N	1.2	2.7	290
O	0.8	2	210
P	1.1	2.2	230

Return of the market is 15% and variance of the market port folio is 250. The proportion of investment in Individual stock is M = 20%, N = 30%, O = 20% and P = 30%. Compute the expected return and risk of the portfolio as per Sharpe's Single Index Model.

7 The following details are related to 4 portfolios and market. **(10 Marks)**

Portfolio	Avg. Annual return	Standard deviation	Correlation co-efficient
W	17	27	0.8
X	14	18	0.6
Y	15	8	0.9
Z	12	10	0.7
Market	13	12	-

Risk free rate of interest is 8%. Rank the portfolio using Sharpe's & Treynor's method.

SECTION - D
CASE STUDY – [Compulsory]

The return and probability associated with 3 stocks are given below :

Probability	Returns (in %)		
	Stock X	Stock Y	Stock Z
0.3	9	4	6
0.5	15	12	10
0.2	18	15	14

Find out : a) Expected return and risk of Individual securities. **(10 Marks)**

b) Expected return and risk of portfolio if the proportion of investment in each of the securities are : **(10 Marks)**

Security	X	Y	Z
Proportion of Investment	30%	45%	25%

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