

IAT -2 Investment Management

18MBAFM302

Dear all, Welcome to IAT -2 , Please read the questions carefully before answering and choose the best options, keep aside pen, calculator, financial table while solving the problem, Scan the solution hand written and post it in the google class room, from question 1 to 14 , timings from 9 AM till 10.30 AM Best wishes

* Required

1. Email address *

2. 1. Name *

3. 2. USN *

4. 3. Semester *

5. 4. Email ID *

Answer the following questions and choose the best options given below

6. 1. What is the other name for systematic risk? *

1 point

Mark only one oval.

- Diversifiable risk
- Non Diversifiable risk
- Market risk
- Callable risk

7. 2. ----- is the direct relationship between index return with stock return * 1 point

Mark only one oval.

- Alpha
- Gamma
- Beta
- Market return

8. 3. Interpret the following data: If beta is 1.25 what does it mean? *

1 point

Mark only one oval.

- 1 % change in index return cause a decrease of 1.25% of stock return
- 1 % change in index return cause a increase of 1.25% of stock return
- 1% change in stock return causes a decrease of 1.25% of index return
- 1% change in stock return causes a increase of 1.25% of index return

9. 4. A positive alpha indicates? *

1 point

Mark only one oval.

- unhealthy sign of investment
- Healthy sign of investment
- Neutral
- none

10. 5. Formula for calculating index return: *

1 point

Mark only one oval.

- $(\text{Today's index} + \text{yesterday's index}) / \text{yesterday index} \times 100$
- $(\text{Today's index} \times \text{yesterday's index}) / \text{yesterday index} \times 100$
- $(\text{Today's index} - \text{yesterday's index}) / \text{yesterday index} \times 100$
- $(\text{Today's index} / \text{yesterday's index}) / \text{yesterday index} \times 100$

11. 6. Calculate beta portfolio from the following data *

5 points

14. A Company manages a stock fund consisting of fund stocks with the following market values and betas.

Stock	Market value (Rs)	Beta
P	100,000	1.10
Q	50,000	1.20
R	75,000	0.75
S	125,000	0.80
T	150,000	1.40

Calculate the Bets of the portfolio.

Mark only one oval.

- 1.08
- 1.09
- 1.07
- none

12. 7. ----- refers to the price at which a security on an asset can be sold or bought in the market *

1 point

Mark only one oval.

- Book value
- Intrinsic value
- Market value
- Replacement value

13. 8. Formula for calculating Intrinsic value of the bond? *

1 point

Mark only one oval.

- $(C * PVIF_{r,n}) - (M * PVIF_{r,n})$
- $(C * PVIF_{r,n}) + (M * PVIF_{r,n})$
- $(C * PVIFA_{r,n}) - (M * PVIF_{r,n})$
- $(C * PVIFA_{r,n}) + (M * PVIF_{r,n})$

14. 9. From the following data, calculate intrinsic value of the bond, also suggest whether the bond can be sold or bought *

5 points

Anand owns Rs 1000 face value bond with 5 years to maturity. The bond has an annual coupon of Rs 75. This bond is currently priced at Rs 970. Given the appropriate discount rate of 10%. Should Anand hold or sell the bond?

Mark only one oval.

- Po : 790 sell the bond
- Po: 905 sell the bond
- Po : 907 buy the bond
- Po : 970 hold the bond

15. 10. Calculate current yield of the bond *

5 points

BOND YIELD
Calculate the current yield from the following data

- a) A bond with par value of Rs 1000
- b) It bears a coupon rate of 12%
- c) The bond maturity period is after 10 years
- d) Its market selling price is Rs 950.

Mark only one oval.

- 13.63%
- 15%
- 12.63%
- none

16. 11. Expand YTM *

1 point

Mark only one oval.

- Yield to mean
- Yield to maximum
- yield to maturity
- none

17. 12. Calculate YTM from the following data *

5 points

PQR Co., 10 % bond is currently selling at Rs 2000. Face value of Rs 1800. It has a maturity of 10 years. Determine YTM.

Mark only one oval.

- YTM: 12%
- YTM: 13%
- YTM: 10%
- None

18. 13. Calculate YTC from the following data *

5 points

Calculate current yield, yield to call, and yield to maturity from the following data:

- a) The face value of the bond is Rs 100
- b) Interest on bond is 14%
- c) It matures at par in 15 years
- d) It is redeemable (callable) in 5 years
- e) The call price of the debenture is 5 years is Rs 114.
- f) It currently sells at Rs 105.

Mark only one oval.

- YTC : 13%
- YTC : 14%
- YTC: 12%
- None

19.

Mark only one oval.

- Option 1

20. 14. Solve the following questions *

17 points

The return on 2 equities under different situations and their probabilities are given below:

Situation	Probability(%)	Return on HLL(%)	Return on SBI (%)
1	10	5	0
2	30	10	8
3	50	15	18
4	10	20	26

- Calculate expected return and risk of each stock.
- Calculate correlation coefficient between the returns of HLL and SBI
- The 2 stocks are combined into a portfolio in the proportion of 40% in HLL and 60% in SBI. Calculate the portfolio risk and return.(University qn)

Mark only one oval.

- E(r) for A = 12% for B is 13% , risk for A = 5% risk for B is 8% , cov AB = 30, Correlation coefficient is 0.99%, portfolio risk is 6% , Portfolio return is 12%
- 5.94% and portfolio return is 13.6%

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