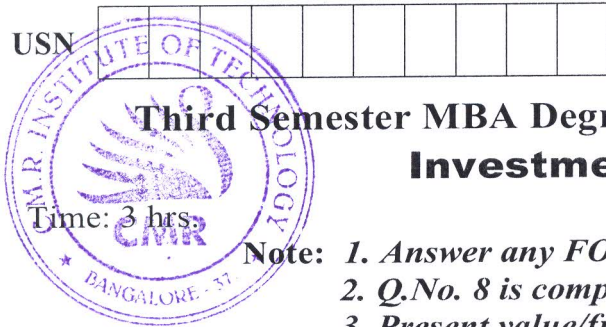


USN



Third Semester MBA Degree Examination, Dec.2023/Jan.2024 Investment Management

Max. Marks: 100

- Note:** 1. Answer any **FOUR** full questions from Q.No.1 to 7.
2. Q.No. 8 is compulsory.
3. Present value/future value table may be issued.

- 1
 - a. What are the objectives of investment? (03 Marks)
 - b. Explain the trading and settlement procedure at NSE. (07 Marks)
 - c. Define Risk. Explain various types of Risk. (10 Marks)

- 2
 - a. A bond has a face value of Rs.1000. It has a 10% coupon rate and a maturity period of 5 years. What would be the price of the bond, if the yield declines to 8%? (03 Marks)
 - b. Explain the features of bond. (07 Marks)
 - c. The following data is available for bond:

Face value	Rs.1000
Coupon (interest rate)	16% payable annually
Years to maturity	6 years
Redemption value	Rs.1000
Current market price	Rs.964.5

 What if the yield to maturity, duration and volatility of this bond? (10 Marks)

- 3
 - a. What is an AMC? (03 Marks)
 - b. The current dividend on an equity share of XYZ limited is Rs.2.00, XYZ 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 stabilize at 10%. Equity investors require a return of 15%. What is the intrinsic value of the equity share of XYZ limited according to two stage model? (07 Marks)
 - c. Following data gives the market return and the Sun Pharma company's scrip return for a particular period.

Index Return (Rm)	Scrip Return (Ri)
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

- i) What is the beta value of the Sun Pharma company scrip? (10 Marks)
 - ii) If the market return is 2, what would be the scrip return? (03 Marks)

- 4
 - a. Differentiate fundamental analysis and technical analysis. (07 Marks)
 - b. Explain the stages in industry life cycle. (07 Marks)
 - c. Relative Strength Index (RSI) is a good tool in the hands of a technical analyst for measuring the momentum. The following information pertains to the price of stock 'A' for the last 8 trading days:

Days	0	1	2	3	4	5	6	7
Closing price (Rs.)	180	160	190	210	300	290	210	160

You are required to calculate the RSI of stock 'A' and interpret the results so obtained.

(10 Marks)

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.

- 5 a. What is Dow theory? (03 Marks)
 b. Enumerate the assumption Markowitz model. (07 Marks)
 c. ABC limited currently pays a dividend of Rs.2 per share and this dividend is expected to grow at 15% for three years, then at 12% for the next three years and at 5% forever thereafter. What is the value of the equity share if the required rate is 9%? (10 Marks)

- 6 a. Differentiate between CML and SML. (03 Marks)
 b. Vishnu enterprises has a beta of 1.5. The risk free is 7% and he expected return on the market port folio 14%. The company presently pays a dividend of Rs.2.50 per share and investors expect growth in dividend of 12% p.a. forever. Compute the required rate of return on the equity according to CAPM. What is the present market price of the equity share assuming the computed return as required return, if dividend valuation model is applied? (07 Marks)

- c. The Rudrakshi investment company manages a portfolio consisting of 4 stocks with the following market values and betas.

Stock	Market value (Rs.)	Beta
Infosys	2,00,000	1.16
Wipro	1,00,000	1.20
M and M	1,50,000	0.80
TCS	50,000	0.50

If the Risk free rate of interest is 9% and the market return is 15%. What is the portfolio return as per CAPM approach? (10 Marks)

- 7 a. State the Random Walk theory. (03 Marks)
 b. Write the brief note an efficient market hypothesis. (07 Marks)
 c. The following three portfolio's provide the particulars, given below:

Port folio	Average annual return (in %)	Standard deviation (σ)	Correlation coefficient (γ)
A	18	27	0.8
B	14	18	0.6
C	15	8	0.9
Market	13	12	-

Risk free rate of interest is 9%. Rank these portfolio using Sharpe's and Treynor's methods. (10 Marks)

8

CASE STUDY

Stocks X and Y display the following returns over the past 3 years:

Year	Return (%)	
	X	Y
2005	14	12
2006	16	18
2007	20	15

- i) What is the expected return on portfolio made up of 40% of X and 60% of Y?
 ii) What is the standard deviation of each stock?
 iii) Determine the correlation coefficient of stock X and stock Y.
 iv) What is the portfolio risk a portfolio made up of 40% X and 60% Y?

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(20 Marks)

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