CBCS SCHEME

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20MBAFM303

Third Semester MBA Degree Examination, June/July 2024
Investment Management

Time: 3 hrs. Max. Marks: 100

Note: 1. ***Answer any FOUR full questions from Q.No.1 to Q.No.7.***
2. ***Question No. 8 is compulsory.***

1 a. What are the two attributes of Investment? **(03 Marks)**
b. Distinguish between Investment and Speculation. **(07 Marks)**
c. Write a detailed note on various investment alternatives available in India. **(10 Marks)**

2 a. What is a Short Sale? **(03 Marks)**
b. Criston products currently pays a dividend of Rs 2/share and this dividend is expected to grow 15% for 3 years, then at 12% for the next 3 years and at 5% forever thereafter. What is the value of the equity share if the required rate is 9%? **(07 Marks)**
c. During the past five years, the returns of a stock were as follows :

Year	1	2	3	4	5
Return	0.07	0.03	- 0.09	0.06	0.10

Compute the following : i) Arithmetic mean ii) Variance iii) Standard deviation. **(10 Marks)**

3 a. Write a note on Nifty. **(03 Marks)**
b. What is Risk? Discuss the different types of Risk. **(07 Marks)**
c. The market price of a Rs 1,000 par value bond carrying a coupon rate of 14 percent and maturing after five years is Rs 1050. What is the Yield To Maturity (YTM) on this bond? **(10 Marks)**

4 a. Write a note on EIC framework in Fundamental analysis. **(03 Marks)**
b. Explain the three different forms of market efficiency. **(07 Marks)**
c. Consider the details on Bond A :
Face value – Rs 100 ; Coupon (interest rate) – 15 percent payable annually.
Years to maturity – 6 years ; Redemption value – Rs 100.
Current market price – Rs 89.50 ; Yield to maturity – 18 percent.
Calculate the duration on this bond. **(10 Marks)**

5 a. What is Security Market Line (SML)? **(03 Marks)**
b. Write a brief note on 'Dow Theory'. **(07 Marks)**
c. Consider the following information for three mutual funds A, B, C and the market.

	Mean return (%)	Standard deviation	Beta
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
Market index	11	17	1.00

The mean risk free rate was 6 percent. Calculate the Treynor measure, Sharpe measure and Jensen measure for the three mutual funds and the market index. **(10 Marks)**

6 a. What is Efficient Frontier? (03 Marks)

b. What are the advantages of Mutual fund? (07 Marks)

c. A portfolio consists of 3 securities 1, 2, and 3. The proportions of these securities are : $w_1 = 0.3$, $w_2 = 0.5$ and $w_3 = 0.2$. The standard deviation of returns on these securities (in percentage terms) are : $\sigma_1 = 6$, $\sigma_2 = 9$ and $\sigma_3 = 10$. The correlation coefficient among security returns are $\rho_{12} = 0.4$, $\rho_{13} = 0.6$, $\rho_{23} = 0.7$. What is the standard deviation of port folio return? (10 Marks)

7 a. What is International diversification? (03 Marks)

b. The stocks M & N have yielded the following returns for the past 2 years :

Year	Returns	
	M	N
2017	12	14
2018	18	12

What is the portfolio return and risk made up of 60% of M and 40% of N? (07 Marks)

c. Explain the Markowitz portfolio selection model with an illustration. (10 Marks)

8 **<u>CASE STUDY</u> (Compulsory)** :

The returns (%) on stock A and market portfolio for 15 periods are given below :

Period	Return on stock A(%)	Return on Market (%)	Period	Return on stock A(%)	Return on Market (%)
1	10	12	9	-9	1
2	15	14	10	14	12
3	18	13	11	15	-11
4	14	10	12	14	16
5	16	9	13	6	8
6	16	13	14	7	7
7	18	14	15	-8	10
8	4	7			

a. What is the Beta for stock A?

b. What is the characteristic line for stock A? (20 Marks)

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