MBA III Semester Regular & Supplementary Examinations November/December 2024

INVESTMENT AND PORTFOLIO MANAGEMENT

(Common to MBA, Fintech, Finance & Banking and Financial services)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

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SECTION – A

(Answer the following: 05 X 10 = 50 Marks)

1 (a) What are the investor's objectives in investing his funds in the stock market? 5M

(b) 'Investment and speculation are somewhat different and yet similar in certain aspects'. Explain. 5M

OR

2 (a) 'Stock market indices are the barometers of the stock market.' Discuss. 5M

(b) What are the five different aspects of investment? 5M

3 (a) How does fundamental analysis differ from technical analysis? 5M

(b) Explain the utility of economic analysis. 5M

OR

4 (a) 'Industry life cycle exhibits the status of the industry and gives the clue to entry and exit for investors.' Elucidate. 5M

(b) How does ratio analysis reflect financial health of a company? 5M

5 (a) State the differences between systematic and unsystematic risk. 5M

(b) What are the statistical tools used to measure the risk? 5M

OR

6 Sathvikha bought the stock of Honda and TVS with the expected rate of return of 20% after one year. 10M

Stocks	Price on		Dividend
	1st Jan, 2023	1st Jan, 2024	
Honda	214	300	10
TVS	150	290	15

(a) Find the expected return of Honda stock.

(b) Find the expected return of TVS stock.

7 (a) 'Stocks are considered to be risky but bonds are not.' Elucidate. 5M

(b) Discuss the various approaches for valuation of common stock. 5M

OR

8 XYZ Ltd., is currently selling at Rs.25 per share. The share is expected to pay Rs.1 as dividend per share at the end of the next year. It is estimated that the stock will be available for Rs.30 after one year. 10M

(i) If the forecasts about the dividend and price are accurate, is it advisable to buy at the present price? Assume the investor's required rate of return is 20%.

(ii) If the investor requires 15% return, when the dividend remains constant, what will be the price at the end of first year?

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9 (a) Distinguish between efficient portfolio and feasible portfolio. 5M

(b) What are the basic assumptions of CAPM? 5M

OR

10 The following table provides information regarding the portfolio return and risk. 10M

Portfolios	1	2	3	4	5
Expected Return	10	14	15	16	20
Standard Deviation	4	6	5	10	14

The treasury bill rate is 5%.

(i) Would be possible to earn 12% return with a standard deviation of 4%?

(ii) If standard deviation is 12%, what would be the expected return?

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 As an investment manager you are given the following information: 10M

Investment	Initial price	Dividends	Market price	Beta
Cement	25	2	50	0.8
Steel	35	2	60	0.7
Liquor	45	2	135	0.5
Government of India Bonds	1000	140	1005	0.99

Risk free return may be taken at 14%. You are required to calculate the expected rate of returns of portfolio in each investment by using Capital Asset Pricing Model.

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MBA III Semester Supplementary Examinations September/October 2022

INVESTMENT & PORTFOLIO MANAGEMENT

(Common to B&FS and MBA)

(For students admitted in 2018, 2019 & 2020 only)

Time: 3 hours Max. Marks: 60

All questions carry equal marks

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SECTION – A

(Answer the following: 05 X 10 = 50 Marks)

1 (a) Write objectives of investment. Differentiate between investment and speculation. 5M
(b) Discuss different types of investors and explain briefly the important investment avenues available in India 5M

OR

2 (a) Trace the growth and development of the stock market in India. 5M
(b) Discuss the role of the NSE (National Stock Exchange) in reforming the Stock Market in India. 5M

3 (a) Fundamental analysis provides an analytical framework for rational investment decision-marking. Explain. 5M
(b) Differentiate between technical analysis fundamental analysis. 5M

OR

4 (a) Briefly write about industry life cycle. 5M
(b) Elucidate the important of economic analysis in the framework of fundamental analysis. 5M

5 (a) Define the terms holding period, revenue return and capital appreciation in the context of investment in equity shares. 5M
(b) Calculate the expected returns on the shares of Co.'Z' from the following data. The security beta of the equity shares of Z is 0.9, the risk-free rate is 6% and the risk-premium on the market security is 4%. 5M

OR

6 (a) What is risk? How can risk of a security be calculated? Explain your answer with the help of an example. 5M
(b) Distinguish between systematic and un-systematic risk. 5M

7 Explain the concept of valuation of securities. Why is the valuation concept relevant for financial decision making purposes? 10M

OR

8 (a) What is a bond? Is it same as a debenture? What are the features of a bond? 5M
(b) Discuss the constant growth dividend model (the Gordon model). 5M

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9 (a) Explain the concept and process of portfolio management. 5M
(b) Distinguish between FEASIBLE and An EFFICIENT Portfolio. Is an inefficient portfolio ever a feasible portfolio? 5M

OR

10 (a) Define the Markowitz model. Discuss its assumptions and concept with example. 5M
(b) What are the basic assumptions of CAPM? What are the advantages of adopting CAPM model in the portfolio management? 5M

SECTION – B

(Compulsory question, 01 X 10 = 10 Marks)

11 **Case Study/Problem:** 10M

The head of the portfolio management scheme requests you to elucidate the following points associated with the equity valuation analysis of acme pharmaceuticals ltd which is expected to grow at a constant growth.

(i) How is a constant growth stock valued?
(ii) Is the Gordon's model useful in the Acme case? Explain.
(iii) Calculate the Required Rate of Return (E(r)), if the RFR (Risk-free Rate) is 7% and the Market Risk Premium is 6% and the stock of Acme Pharmaceutical has a beta of 1.2.
(iv) If the intrinsic value of Acme (based on Equity Valuation) is Rs.350 while is ruling Stock Price is Rs.380, what is your device to the portfolio manager?

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