PG – 672

III Semester M.B.A. (Day) Examination, January 2010
(2007-08 Scheme)
MANAGEMENT
F-1 : Investment Analysis and Management

Time : 3 Hours Max. Marks : 75

***Instruction** : Calculators are **allowed**.*

SECTION – A

1. Answer **any six** of the following : **(6×2=12)**

   a) What do you mean by S.M.L. ?

   b) Define time value of money.

   c) What is alpha ?

   d) What is Beta ?

   e) What is free float method ?

   f) What are options ?

   g) What are repos ?

   h) What is Relative Strength Index ?

SECTION – B

Answer **any three** questions : **(3×8=24)**

2. Define risk and distinguish between systematic and unsystematic risk.

3. Explain the process used for investment by the investors.

4. Explain in detail the Dow theory. How is it used to determine the direction of Stock Market ?

5. Consider the following information on three mutual funds P, Q and R and the market.

	Mean return	S.D.	Beta
P	15%	20%	0.90
Q	17%	24%	1.10
R	19%	27%	1.20
Market Index	16	20	1.00

The mean risk free rate is 10%. Calculate the Treynos measure, Sharpe measure and Jensen measure for three mutual funds.

6. The following information is available

	Stock A	Stock B
Expected return	16%	12%
Standard deviation	15%	8%

Coefficient of correlation 0.60

a) What is the covariance between Stock A and B ?

b) What is expected return and risk of a portfolio in which A and B have weights of 0.6 and 0.4 ?

SECTION – C

Answer **any two** of the following : **(2×12=24)**

7. Write short notes on (**any two**) :

a) Arbitrage pricing theory

b) Derivatives

c) Money Market.

8. For the first four years XYZ firm is assumed to grow at a rate of 10 percent. After four years the growth rate of dividend is assumed to decline linearly at 6 percent. After 7 years the firm is assumed to grow at a rate of 6 percent infinitely. The next year dividend is Rs. 2 and the required rate of return is 14 percent. Find out the value of the stock.

9. What is CAPM ? What are its assumptions ? Explain its validity in the stock market.

SECTION – D

Case Study (Compulsory) **(1×15=15)**

10. Mr. Kanishk provides you the following information. You are required to calculate the optimum portfolio in choosing among the following securities and assuming the risk free return is 8% and variance in the market index is (σ^2_M) = 12%.

Security	Expected Return R_i	Beta B_{im}	Unsystematic risk σ^2_{cm}
SBI	20	1.0	40
RBL	18	2.5	35
ITC	12	1.5	30
IDBI	16	1.0	35
ICICI	14	0.8	25
MRPL	10	1.2	15
CNBC	17	1.6	30
NDTV	15	2.0	35