



III Semester M.B.A. (Day) Examination, January 2011

(2007 -08 Scheme)

MANAGEMENT

F-1 : Investment Analysis and Management

Time : 3 Hours

Max. Marks : 75

SECTION – A

1. Answer **any six** of the following questions. **Each** question carries **two** marks.

(6×2=12)

- a) What is Intrinsic value ?
- b) How is Sensex calculate ?
- c) What is credit rating ?
- d) What is ADR ?
- e) What is Random walk Theory ?
- f) What is RSI ?
- g) What is Index future ?
- h) What is alpha ?

SECTION – B

Answer **any three** of the following questions. Each question carries **eight** marks.

(3×8=24)

2. Distinguish between fundamental and Technical analysis.
3. Explain the CAPM theory and its anomalies.

P.T.O.



4. Mr. x has been owning units from three different mutual funds namely R,S and T. The following particulars are available to him. He wants to dispose any one of the mutual fund from his personal expenditure. Which fund should he dispose ? (use Jensen measure)

Funds	Excess Average Return	Beta
R	7.7	1.02
S	11.3	.99
T	11.6	1.07
Market	7.8	1.00

5. A portfolio consists of 3 securities 1, 2, and 3. The proportion of these securities are $W_1 = 0.3$, $W_2 = 0.5$, $W_3 = 0.2$. The standard deviations of returns on these securities (In percentage terms) are : $\sigma_1 = 6$, $\sigma_2 = 9$, and $\sigma_3 = 10$. The correlation coefficients among security returns are $P_{12} = 0.4$, $P_{13} = 0.6$, $P_{23} = 0.7$. What is the standard deviation of portfolio return ?
6. Following data give the market return and the Sun Company Scrip's return for a particular period.

Index return	Scrip
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	0.6



- a) What is the beta value of the sun company scrip ?
- b) If the market return is 2, what would be the scrip return ?

SECTION - C

Answer **any two** of the following questions. **Each** question carries **twelve** marks.
(2×12=24)

- 7. Write short notes on :
 - a) Investment process
 - b) Classification of Risk.
- 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 to 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. A portfolio manager has got the following information about fine stocks. He has to build a optimum portfolio for his client. The following stocks are under review. Find out the optimum portfolio. The market variance is 10 percent. The risk less return is 5 percent.

Security	Expected Return	β	σ_{e_i}	$\frac{R_1 - R_f}{\beta}$
TCS	17.09	0.99	9.35	12.212
WIPRO	17.75	1.27	5.92	10.039
Infosys	13.37	0.96	9.79	8.719
Reliance	16.12	1.21	5.39	9.190
Mahindra	10.58	0.75	4.52	7.440



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SECTION - D

Compulsory question.

(1×15=15)

10. The investor has got the following information from the capital market analysis regarding his favourite stock x, y, z.

Market Condition	Probability	Returns		
		X	Y	Z
Boom	0.25	22%	25%	10%
Normal	0.50	18%	20%	15%
Bearish	0.25	12%	10%	20%

He aspires to find out the return, if equal amount is invested in three stocks. At the same time he wants to reduce his risk level. If he has to choose only two stocks which combination of stocks he should choose ? Assuming equal amount of money is invested, What is his portfolio risk ?