



PG – 687

III Semester M.B.A. (Day) Examination, January 2013

(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. **(6x2=12)**
- Define arbitrage.
 - What is Hedging ?
 - Define credit rating.
 - Define Derivatives.
 - What is GDR ?
 - What is security characteristics line ?
 - What is Efficient Market Hypothesis ?
 - What is time value of money ?

SECTION – B

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

(3x8=24)

- Explain briefly the Dow theory and how is it used to determine the direction of stock market ?
- Distinguish between Investment and Speculation.

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4. From the two securities available for Investment opportunity, find out the proportion of investment in each security that will minimize the risk for the investor. The correlation between the two securities is -0.65 .

Security risk return data :

Security	Risk (%)	Return (%)
A	25	18
B	30	22

5. The following table gives an analyst's of expected return on two stocks for particular market returns :

Market return	Aggressive stock	Defensive stock
5%	-5%	8%
25%	40%	18%

- What are the betas of the two stocks ?
 - What is the expected return on each stock if the market return is equally likely to be 5% and 25% ?
 - If the risk free rate is 8%, what is the SML ?
 - What are the alphas of the two stocks ?
6. The market price of a Rs. 1,000 par value bond carrying a coupon rate of 14 percent and maturing after 5 years is Rs. 1,050. What is the YTM on this bond ?

SECTION - C

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

7. Vardhman limited's earnings and dividends have been growing at a rate of 18 percent per annum. This growth rate is expected to continue for 4 years. Thereafter the growth rate is expected to be 6 percent forever. If the last dividend per share was Rs. 2.00 and the investor's required rate of return on Vardhman's equity is 15 percent, what is the intrinsic value per share ?



8. The rates of return on the security of company Wipro and market portfolio per 10 periods are given below :

Period	Return on security of Wipro	Return on market portfolio
1	20	22
2	22	20
3	25	18
4	21	16
5	18	20
6	-5	8
7	17	-6
8	19	5
9	-7	6
10	20	11

- 1) What is the beta of security of Wipro ?
 - 2) What is the characteristic line for security of Wipro ?
9. Write short notes on :
- a) Meaning and classification of risk
 - b) Limitations of CAPM Model.



SECTION - D

(Compulsory)

10. Compulsory question :

(1×15=15)

You are evaluating an investment in two companies whose past ten years returns are shown below :

Companies	Percent returns during years									
	1	2	3	4	5	6	7	8	9	10
xyz	37	24	-7	6	18	32	-5	21	18	6
ABC	32	29	-12	1	15	30	0	18	27	10

- Calculate the standard deviation of each company's return.
- Calculate the correlation coefficient of the companies return.
- If you had placed 50% of your money in each, what would have been the standard deviation of your portfolio and average yearly return ?
- What percentage investment in each would have resulted in lowest risk ?
- Given your answer to part (d) what was the single efficient portfolio of the two ?