



PG – 966

III Semester M.B.A. Degree Examination, February 2017
(2007 – 08 Scheme)
MANAGEMENT

Paper – 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 questions. Each question carries **two** marks. (6×2 = 12)
- What are the objectives of Investment ?
 - What is meant by Arbitrage ?
 - What are money market instruments ?
 - What is 'margin trading' ?
 - What is meant by Rolling settlement ?
 - What is stock index ?
 - What is an 'efficient frontier' ?
 - What is CML ?

SECTION – B

Answer **any three** questions. Each question carries **eight** marks. (3×8 = 24)

- Explain the steps involved in Investment process.
- Explain the Arbitrage Pricing theory.
- ABC Ltd. paid a dividend of Rs. 4 per share at the end of the year. It is expected to be Rs. 60 at the end of 4 years. Assuming 12 percent required rate of return of investors, at what price should the shares of ABC Ltd. sell ?

P.T.O.



5. Mr. x has invested Rs. 5,00,000 in two securities A and B. The percentage of funds invested and the return from these securities are as follows :

Security	Percentage of Funds	Return in Percentage
A	40	13
B	60	12.5

Find out the absolute return to the investor and the average percentage return.

6. The risk-return characteristics of the two projects are given below :

	X	Y
Expected return	16%	18%
Risk	7%	8%

An investor plans to invest 80 percent of his funds in Project X and remaining funds in Project Y. The correlation coefficient between returns of X and Y is + 0.8. Find out the risk and return of the Portfolio X and Y.

SECTION - C

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

7. "CAPM helps in assessing the nature of security with respect to its pricing" – Discuss.
8. Milan and Co., has investment in three companies A, B and C following information is available in respect of these companies.

Company	Investment	Beta
A	600,000	1.3
B	300,000	1.4
C	100,000	0.9

Expected return the market portfolio is 15 percent and the risk-free rate is 6 percent. Find out the expected beta and the return of the portfolio.



9. The following results were obtained from a study for the quarter ended 30th June of a year.

Fund	σ_p	R_p	β
Birla Index Fund	5.23	38.92	0.42
Canara Index Fund	4.31	45.56	0.63
Franklin Index Fund	6.86	36.28	0.52
ICICI Pru. Index Fund	4.00	25.38	0.23
S&P CNX nifty	3.69	36.74	1.00

The risk free rate of return is 9%. You are required to rank the funds according to the predictive ability of the fund's management.

SECTION - D

Case Study

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10. Following data is available to you as a portfolio manager :

(1) Security No., i	(2) Mean, return R_i	(3) Beta A, B_i	(4) Unsystematic risk σ_{ei}^2
1	15.0	1.0	50
2	17.0	1.5	40
3	12.0	1.0	20
4	17.0	2.0	10
5	11.0	1.0	40
6	11.0	1.5	30
7	11.0	2.0	40
8	7.0	.8	16
9	7.0	1.0	20
10	5.6	.6	6

What is the optimum portfolio in choosing among the above securities, assuming $R_f = 5$ percent and $\sigma_m^2 = 10$ percent ?