D 51905   (Pages : 2)   Name....................................

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THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2018

(CUCSS)

M.B.A.

BUS 3C 21—INVESTMENT MANAGEMENT

(2016 Admissions)

Time : Three Hours   Maximum : 36 Weightage

Part A

Answer the following questions.
Each question carries 1 weightage.

1. What is Investment ? Is investment different from speculation ?

2. Define risk-return trade off.

3. Explain the importance of RSI.

4. What is listing ?

5. Describe the Beta factor.

6. What are mutual funds ?

                                                     (6 × 1 = 6 weightage)

Part B

Answer any **four** *of the following.*
Each question carries 3 weightage.

7. Discuss different types of Investment.

8. Explain the procedures adopted for listing.

9. What are the major differences between active and passive portfolio management ?

10. A bond pays interest annually and sells for Rs. 835. It has six years left to maturity and a par value of Rs. 1,000. What is the coupon rate if its promised YTM is 12% ?

11. Elucidate the objectives and functions of SEBI.

12. Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets.

                                                   (4 × 3 = 12 weightage)

Part C

*Answer any **three** of the following.*
Each question carries 4 weightage.

13. What is the meaning of investment ? Discuss the different channels or alternatives available to an investors for making investment.

14. Explain in detail the Dow Theory and how is it used to determine the direction of the stock market ?

15. A Stock costing Rs. 120 pays no dividend. The possible prices that the stock might sell at the end of the year with respective probabilities as follows :

Price	:	115	120	125	130	135	140
Prob.	:	0.1	0.1	0.2	0.3	0.2	0.1

   (a) Calculate expected return.

   (b) Calculate Standard deviation of return.

16. Enumerate the functions of merchant banker.

17. A person owns Rs. 1,000 face value bond with five years to maturity. The bond makes annual interest payment of Rs. 80. The bond is currently priced at Rs. 960. Given that the market interest rate is 10%, should the investor hold or sell the bond ?

(3 × 4 = 12 weightage)

Part D

*Answer the **compulsory** question.*
Question carries 6 weightage.

18. The following data are available to you as portfolio manager :

Security	Estimated Return (%)	Beta	Standard Deviation (%)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10.0	0.5	20
Market index	15	1.0	18
Govt. security	7	0	0

   (a) In terms of security market line, which of the securities listed above are underpriced ?

   (b) Assuming that a portfolio is constructed using equal proportions of the five securities above, calculate expected return and risk of such portfolio ?

(1 × 6 = 6 weightage)