

FACULTY OF MANAGEMENT

M.B.A. IV – Semester (CBCS) Examination, October 2020

Subject: Investment Management

Paper – MB – 401 – I (Finance)

Discipline Specific Elective – III – Finance

Time: 2 Hours

Max. Marks: 80

PART – A

Note: Answer any four questions.**(4x5=20 Marks)**

- 1 Risk – return Trade-off
- 2 AYTM
- 3 Price – Earnings Multiplier Approach
- 4 Security Market Indices
- 5 Capital Market Theory

PART – B

Note: Answer any four questions.**(4x15=60 Marks)**

- 6 What are ex-ante and ex-post returns? Explain citing an example.
- 7 What are the sources of Investment Information?
- 8 The latest dividend paid on the equity share of firm is Rs. 2.34. These dividends expected to grow at 8% per year for the next four years and beyond that till infinity the growth rate in dividends would be 4% per year. If the required rate of returns is 9% find the intrinsic value of the equity share.
- 9 Determine Macaulay's Duration of a bond which has a face value of Rs.1000 and 8 per cent annual coupon rate and 4 years to go for maturity. The bonds YTM is 10 per cent.
- 10 What are the approaches to equity valuation? Explain.
- 11 Describe the computational procedure of Nifty.
- 12 What is Harry Markowitz's portfolio theory? Explain in detail highlighting its assumptions and limitations.
- 13 Following data related to two securities in the market, i and j.

Security	R_p	σ	P_{ij}
i	9	7.56	
j	8	3.75	-0.5

Find out the minimum risk portfolio and compute its risk and return.

- 14 Rose Mutual fund annual returns along with the return on postal savings and NSE (Nifty) for the past eight years are given below:

Years	Percentage Returns		
	Rose M.F.	Post Office	Nifty-fifty
1	11	6	8
2	14	6	10
3	18	7	12
4	16	7	12
5	20	8	11
6	15	7	12
7	22	8	14
8	14	6	9

You are required to find the Jersen's alpha (α) and comment on the performance of Rose Mutual Fund.

- 15 Determine the Treynor's and Sharpe's measures of portfolio performance from the following information.

Average rate of return on market portfolio = 18%

Average rate of return on this portfolio = 19%

Average risk free return = 12%

Standard Deviation of this portfolio = 14%

Beta of portfolio, under consideration = 0.95.

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