Code No. 9098

FACULTY OF MANAGEMENT

MBA III – Semester Examination, April 2017

Subject: Investment Management

Elective – I – Finance

Course No. 3.4.1 (F)

Time: 3 Hours **Max. Marks: 80**

Note: Answer all the questions

PART – A (10x2 = 20 Marks)
[Short Answer Type]

1 **Write short notes on the following:**

a) Real Assets Vs Financial Assets
b) Sources of Risk
c) Features of Bonds
d) Macauly's duration
e) Price earnings ratio
f) Free cash flows
g) Security market line
h) Arbitrage pricing
i) Open ended funds
j) NAV

PART – B (5x12 = 60 Marks)
[Essay Answer Type]

2 a) Discuss the procedure and limitations of fundamental analysis.

OR

b) Distinguish between three forms of market efficiency.

3 a) A bond pays a coupon rate of 12 percent per annum on a face value of Rs. 1500 and matures in 3 years. If it has a yield of 15 percent what is its price.

OR

b) A bond has a par value of Rs. 1000 with six years to maturity and a 12 percent coupon payable semi-annually. If the YTM is 8%, find its duration.

4 a) Explain the significance of P/E ratio in equity valuation.

OR

b) AB Ltd recently paid an annual dividend of Rs. 4.00 per share. Earnings for the same period were Rs. 7.00 per share. The required return on equity with similar risk is 12%. Dividends are expected to grow at 10 percent per year indefinitely. Calculate AB's price earnings ratio.

…2.

5 a) Compare and contrast capital asset pricing model and arbitrage pricing theory.

OR

b) The expected returns and betas of four stocks are given below:

Stock	Expected Return (%)	Beta
A	15	1.32
B	11	0.90
C	15	1.20
D	20	1.12

Assume the market return as 19% and risk free return as 12%. Determine which of the stocks are overvalued and undervalued.

6 a) What is portfolio performance evaluation? What are the different perspectives that can be adopted for evaluation of performance of investment activity?

OR

b) Consider the following information for three mutual funds A, B and C and the market.

Stock	Mean Return	Standard Deviation	Beta
A	15%	20%	0.90
B	17%	24%	1.10
C	19%	27%	1.20
Market index	16%	20%	1.00

The mean risk free rate is 10 percent. Calculate Sharpe's measure. Treynor's measure and Jensen's measure for the three funds and for the market index.

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