

Code: 9E00306a

MBA III Semester Supplementary Examinations September/October 2014

INVESTMENT & PORTFOLIO MANAGEMENT

(For students admitted in 2010, 2011 and 2012 only)

Time: 3 hours

Max Marks: 60

Answer any FIVE questions
All questions carry equal marks

- 1 State the economic and financial meaning of investment. Can you differentiate between the investor and the speculator in the stock market?
- 2 Why do companies issue shares in the primary market? What is the relationship between the new issue market and the secondary market?
- 3 What are the major differences between fundamental analysis and technical analysis?
- 4 (a) How would you use a candlestick chart to predict the stock price movements?
(b) How does a candlestick chart indicate the bear and bull market?
- 5 Explain the importance of earnings, dividend payout and required rate of return in estimating the theoretical value of the stock.
- 6 The rates of return of two securities over the past ten years are given. Calculate covariance correlation of the two securities.

Years:	1	2	3	4	5	6	7	8	9	10
ABC:	12	8	7	14	16	15	18	20	16	22
XYZ:	20	22	24	18	15	20	24	25	22	20

- 7 An investor wants to purchase a bond with maturity of 3 years, coupon 11% and par value Rs 100.
 - (a) If the investor requiring YTM 15% of equivalent risk and maturity, what is the price he should pay?
 - (b) If the bond is selling at a price of Rs 97.59, what is its YTM?
 - (c) If the YTM is 12% and expected return is 10.06%, what is the duration of this bond?
- 8 Based on the risk and return relationships of the CAPM, supply values for the seven missing data in the following table:

Security	Expected Return	Beta	Standard Deviation	Non-market risk
A	-	0.8	-	85
B	19.0	1.5	-	49
C	15.0	-	8	0
D	7.0	0	12	-
E	21.0	-	15	-

Also explain briefly the relationship between the above variables.
