Code: 12E01306b

MBA (Finance) III Semester Regular & Supplementary Examinations January 2015

INVESTMENT & PORTFOLIO MANAGEMENT
(For students admitted in 2011, 2012 & 2013 only)

Time: 3 hours   Max. Marks: 60

Answer any FIVE questions
All questions carry equal marks
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1   'The investment process involves a series of activities starting from the policy formulation'. Discuss.

2 (a) Describe the market participants of the secondary market.
  (b) Who is a stock broker?

3   How does debt bring about financial leverage in the earnings of common stock? What are the advantages and disadvantages of leverage from point view of equity holders?

4   Explain in detail the Dow theory and how is it used to determine the direction of the stock market.

5   Kayals is considering the instant starch company for possible investment. The holding period of her investment is 5 years. Instant company's earnings per share is Rs 4 and expected to grow at a rate of 10% per year. The present cash dividend payout ratio is to remain 50%. If instant company's current stock price is Rs 50, what is the ending P/E ratio with 15% required rate of return?

6   Find out the risks associated with the following terms and discuss:
  (a) Rise in the consumer price index.
  (b) Lock-out.
  (c) Assassination of a political leader. What are the three risks common to all the stocks?

7   What is the significance of the following results? Carry out a comparative analysis.

Particulars	Stock A	Stock B	Stock C
Beta	0.80	-0.21	1.20
SD	4.39	1.93	5.39
r	0.535	-0.326	0.795

8   The CAPM was estimated for a certain period in the market. The actual return of two portfolios are as follows:
       Portfolio A: Actual return = 14% beta = 0.8
       Portfolio B: Actual return = 20% beta = 1.2
       The equation of the CAPM is $R_1 = 0.07 + 0.10\,\beta_1$
       What can be said about the portfolio's performance?

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