

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

- 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?
