

**Code No: MB1335/R13**

**MBA III Semester Supplementary Examinations, Nov-2017**

**INVESTMENT MANAGEMENT**

**Time: 3 Hours**

**Max. Marks: 60**

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*Answer Any FIVE Questions  
All Questions Carry Equal Marks  
Question No. 8 is Compulsory*

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|----|---|---|----|
| 1. | a | Distinguish between investment and speculation. Explain the characteristics preferred by investors in their investment options. | 6M |
|    | b | Elucidate the concept of 'Efficient Market Hypothesis'.   | 6M |
| 2. | a | What do you mean by investment? Explain real investment Vs financial investment.  | 6M |
|    | b | What are the key economic variables that an investor must monitor as part of its fundamental analysis? Explain.                 | 6M |
| 3. | a | 'Bond prices vary inversely with changes in market interest rates'. Explain with examples.                                      | 6M |
|    | b | What do you mean by bond duration? Explain Macaulay's duration and modified Macaulay's duration.                                | 6M |
| 4. | a | What are the features of common stock? Explain the valuation of common stock using balance sheet model.                         | 6M |
|    | b | What is SENSEX ?Write about the computational procedure of SENSEX   | 6M |
| 5. | a | 'CAPM can be used to evaluate the pricing of securities.' Discuss.  | 6M |
|    | b | What are the basic assumptions of Arbitrage Pricing Theory? State its merits and demerits.                                      | 6M |
| 6. | a | What is the significance of Net Asset Value in mutual funds? Explain the regulations pertaining to mutual funds in India.       | 6M |
|    | b | 'Portfolio evaluation comprises two functions, performance measurement and performance evaluation' .Discuss                     | 6M |

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7. a Calculate the expected return and standard deviation of returns for a stock having the following probability distribution of returns. 6M

| Possible returns(in percentage) | Probability of occurrence |
|---------------------------------|---------------------------|
| -20                             | 0.05                      |
| -10                             | 0.10                      |
| 0                               | 0.10                      |
| 10                              | 0.15                      |
| 20                              | 0.25                      |
| 25                              | 0.20                      |
| 30                              | 0.15                      |

- b What do you mean by risk? Explain different types of risk. 6M
8. Sofitech Ltd is a well known company in the IT industry. Based on the monthly data for the last 5 years its beta appears equal to 1.65. During this period the company has deployed an average debt equity ratio of around 40% in its capital structure. Looking at the challenges being posed by the new patent regime, the company has realized the need for making more investment in research and development activities. For meeting its funding requirement, the company is planning to raise additional funds from the markets. The CFO of the company is exploring the option of raising the debt level to 60%. However he is concerned that a raising additional debt may increase the risk proposition of the company, as measured by beta. Calculate: 12M
- a) The beta level of Sofitech at 50%.  
b) The beta level of Sofitech at 60%.  
c) Comment upon the increase in the risk level.

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