

BALLARI INSTITUTE OF TECHNOLOGY & MANAGEMENT

(Autonomous Institute under Visvesvaraya Technological University, Belagavi)

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Course Code

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Third Semester MBA Degree Examinations, May/June 2023

INVESTMENT MANAGEMENT

Duration: 3 hrs

Max. Marks: 100

Note: 1. Answer any FOUR full questions from Question No. 1 to 7.

2. Question No. 8 is compulsory

3. Missing data, if any, may be suitably assumed

<u>Q. No</u>	<u>Question</u>	<u>Marks</u>	<u>(RBTL:CO:PO)</u>																				
1.	a. Define P/E ratio and what are its importance.	03	(1 :3: 1)																				
	b. Classify are the key difference between an investor and a speculator?	07	(2 :1: 1)																				
	c. Write a note on (i) Security and Non-Security form of Investment (ii) Financial and non-financial form of Investment	10	(2 :1: 1)																				
2.	a. Define (i) ETF (ii) NAV	03	(1 :2: 2)																				
	b. Define Equity share. Explain its characteristics.	07	(2 :3: 2)																				
	c. Discuss concept of Mutual fund. Also explain its types, advantages and disadvantages.	10	(2 :3: 2)																				
3.	a. Define Behavioural Finance.	03	(1 :3: 1)																				
	b. Define Risk? List different types of risk?	07	(4 :4: 1)																				
	c. Returns of 2 securities under different situations and their probabilities are given:	10	(4 :2: 1)																				
<table border="1"> <thead> <tr> <th>Situation</th><th>Prob.</th><th>Return on IRCTC (%)</th><th>Return on Reliance Industries (%)</th></tr> </thead> <tbody> <tr> <td>1</td><td>0.10</td><td>5</td><td>0</td></tr> <tr> <td>2</td><td>0.30</td><td>10</td><td>8</td></tr> <tr> <td>3</td><td>0.50</td><td>15</td><td>18</td></tr> <tr> <td>4</td><td>0.50</td><td>20</td><td>26</td></tr> </tbody> </table>				Situation	Prob.	Return on IRCTC (%)	Return on Reliance Industries (%)	1	0.10	5	0	2	0.30	10	8	3	0.50	15	18	4	0.50	20	26
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Cal expected return and risk for each stock and give your choice of investment.																							
4.	a. What is Efficient Frontier?	03	(1 :4: 2)																				
	b. Explain the various types of charts in technical analysis with neat diagram with interpretation.	07	(2 :4: 2)																				
	c. Explain the EIC framework commonly employed by investment analyst to estimate the intrinsic value of a share.	10	(2 :3: 2)																				
5.	a. What is an efficient market hypothesis? Mention three levels of market efficiency.	03	(1 :4: 2)																				
	b. Coupon rate of 12.5, Rs100 having maturity period of 5 years, debenture is available in the market at Rs115, an investor has expected rate of return of 10% suggest him whether he should buy it (or) not.	07	(4 :5: 2)																				

- c. Consider a portfolio of 4 securities. The table below shows the basic inputs: 10 (3 :5: 2)

Security	Wt.	Alpha	Beta	Residual variance(ϵ_i^2)
A	0.2	2	1.7	370
B	0.1	3.5	0.5	240
C	0.4	1.5	0.7	410
D	0.3	0.75	1.3	285

Market return of 15% Market variance 320

Calculate portfolio risk and portfolio return.

6. a. What is Beta and how is it measured? 03 (1 :2: 2)
- b. Mention the assumption underlying the Capital Asset Pricing Model (CAPM). 07 (2 :4: 2)
- c. Asian Paints Ltd currently paid a dividend of Rs2 per share and this dividend is expected to grow at 15% for 3 years, then at 12% for the next three years and at 5% forever thereafter. If the required rate is 9%. What is the value of the equity share? 10 (3 :5: 2)
7. a. What does Portfolio revision entails? 03 (1 :5: 1)
- b. Explain the following options with respect to bond portfolio management: 07 (2 :5: 1)
- (i) Passive strategy (ii) Active strategy
- c. Consider the following data relating to two funds designed. 10 (5 :5: 1)

Fund	Return (R_p) (%)	Std Dev.	Beta
Canara Robecco	5	15	0.67
Market Index	9	21	1.00
ICICI Mutual	12	32	1.33

The risk-free rate of return is 2% per annum.

Calculate:

- (i) Sharpe ratio and Treynor ratio, and rank the performance of the funds.
- (ii) Calculate the differential return for the two funds.

8. Case study

. For the given historical return. (4 :3: 2)

Year	1	2	3	4
IDBI Bank	11	14	09	10
ICICI Bank	10	11	9	14

- a) Calculate the return & risk for IDBI Bank 04
- b) Calculate the return & risk for ICICI Bank 04
- c) Identify the better stock for investment among the given. 02
- d) Calculate covariance between the two stocks 04
- e) Calculate Portfolio return and risk. 06

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