

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, March/April 2024**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 financial form of investment with example.	03	(1 :2 : 2)															
	b. Explain the different types of investment instruments.	07	(2 :2 : 2)															
	c. Define fundamental analysis. Discuss the EIC (fundamental analysis) framework for investment decision.	10	(2 :1 : 1)															
2.	a. Define P/E ratio and mention its importance.	03	(1 :3 : 3)															
	b. Define risk? List different types of risk.	07	(2 :2 : 2)															
	c. Monthly return data (%) for a 4-month period are presented:	10	(2 :2 : 2)															
	<table border="1"><tr><th>Month</th><th>Jan</th><th>Feb</th><th>Mar</th><th>Apr</th></tr><tr><td>NSE</td><td>11</td><td>3.69</td><td>4.2</td><td>-4.93</td></tr><tr><td>HCL</td><td>10.27</td><td>9.31</td><td>6.73</td><td>-5.68</td></tr></table>	Month	Jan	Feb	Mar	Apr	NSE	11	3.69	4.2	-4.93	HCL	10.27	9.31	6.73	-5.68		
Month	Jan	Feb	Mar	Apr														
NSE	11	3.69	4.2	-4.93														
HCL	10.27	9.31	6.73	-5.68														
	i. Calculate the beta and alpha co-efficient for HCL Ltd.																	
	ii. What are the returns of HCL Ltd , if NSE Index promise to give 15 %?																	
3.	a. Define equity share. Explain its characteristics.	03	(1 :3 : 3)															
	b. Coupon rate Rs.100, Rs. 1000 face value of Bond having maturity period of 5 year, and currently selling at Rs. 1020. Investor expects rate of return of 10 %. Suggest him whether he should buy it or not.	07	(4 :4 : 4)															
	c. For the given historical return,	10	(4 :2 : 2)															
	<table border="1"><tr><th>Probability</th><td>0.2</td><td>0.3</td><td>0.5</td></tr><tr><td>Mahindra Motors</td><td>12</td><td>10</td><td>16</td></tr><tr><td>Canara Bank</td><td>12</td><td>15</td><td>10</td></tr></table>	Probability	0.2	0.3	0.5	Mahindra Motors	12	10	16	Canara Bank	12	15	10					
Probability	0.2	0.3	0.5															
Mahindra Motors	12	10	16															
Canara Bank	12	15	10															
	i. Calculate the return & risk for Mahindra Motors																	
	ii. Calculate the return & risk for Canara Bank																	
4.	a. Define portfolio revision.	03	(1 :4 : 4)															
	b. Define efficient market hypothesis and explain different forms of efficiency with neat diagram.	07	(2 :4 : 4)															
	c. A portfolio manager of SMART Investing solutions has the following details about securities. Help him to identify which of these are overpriced and under-priced.	10	(2 :3 : 3)															

Securities	Expected return	Beta
L & T	25	1.6
ONGC	15	1.4
ITC	25	1.2
Reliance Industries	12	0.90
Eicher Motors	20	1.05
Nifty Index	15	-
T-Bills	8	-

5. a. Define SML and CML with formula. **03** (1 :4 : 4)
 b. Explain (i) Blue chip stocks (ii) Efficient portfolio (iii) ETF **07** (4 :5 : 5)
 (iii) Portfolio Evaluation.
 c. Define Technical analysis. Explain the various types of charts in technical analysis with neat diagram with interpretation. **10** (3 :5 : 5)
6. a. Define Behavioural finance and Intrinsic value. **03** (1 :2 : 2)
 b. Asian Ltd pays a dividend of Rs2 per share and this dividend is expected to grow at 12% for 3 years, then at 10 % forever thereafter. What is the value of the equity share if the required rate is 14 %? **07** (2 :4 : 4)
 c. Consider a portfolio of 4 securities. The table below shows the basic inputs: Market return of 16% and Market variance 350. **10** (3 :5 : 5)

Security	Wt	Alpha	Beta	Residual variance (ϵ_i^2)
IDBI	0.1	1.5	1.2	380
SBI	0.3	2.5	0.4	250
HDFC	0.2	4.5	0.7	310
L&T	0.4	1.75	1.5	380

Calculate portfolio risk and portfolio return.

7. a. What is Beta? How it is interpreted? **03** (1 :5 : 5)
 b. Explain the difference between investment and speculation. **07** (2 :4 : 4)
 c. The following results were obtained from a study for a period of one year in 2024.using the inputs. Rank the funds according to (i) Sharpe measure (ii) Treynor measure **10** (5 :4 : 4)

	Rp(%)	Std Dev	Beta
Axis Blue chip fund	25.38	4	0.23
SBI large cap fund	36.28	6.86	0.52
Kotak small cap fund	45.56	4.31	0.63
S &P CNX 500	36.74	3.69	1.0
Rf	9	-	

8. Case Study

Returns of 2 securities under different situations and their probabilities are given: **20** (4 :3 : 3)

Situation	Probability	Return on IRCTC (%)	Return on Reliance Industries (%)
1	0.10	5	8
2	0.30	10	10
3	0.30	15	18
4	0.30	20	26

- (i) Calculate expected return and risk for each stock.
 (ii) Give your opinion to make investment in comparing the two stocks.
 (iii) Estimate covariance between the returns on IRCTC and Reliance Industries.
 (iv) Consider 2 stocks are combined into a portfolio in the proportion 40% in IRCTC & 60% in Reliance Industries. Calculate portfolio risk and returns

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