PG – 601

IV Semester M.B.A. Degree Examination, July 2018
(CBCS Scheme)
MANAGEMENT
4.2.1 : Investment Analysis and Management

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any five** of the following questions. **Each** question carries **five** marks : **(5×5=25)**

1. Discuss in brief any five macro-economic factors influencing investments in India.

2. Explain the financial and non-financial factors to be considered in Company Analysis.

3. What is a Mutual Fund ? Explain the different types of Mutual Fund in brief.

4. A financial analyst is analyzing two investment alternatives stock A and stock B. The estimated rates of return and their chances of occurrence for the next year are given below :

Probability of Occurrence	Rate of Return (%)	
	A	B
0.20	22	5
0.60	14	15
0.20	– 4	25

i) Determine expected return. Variance and standard deviation of A and B.

ii) Is 'Stock B' comparatively riskless ?

P.T.O.

5. The following information are available with respect of Krishna Ltd,.

Year	Krishna Ltd., Average Share Price Rs.	Dividend per share Rs.	Average Market Index	Dividend Yield	Return on Government Securities
2013	245	20	2013	4%	7%
2014	253	22	2130	5%	6%
2015	310	25	2350	6%	6%
2016	330	30	2580	7%	6%

Compute the Beta value of the Krishna Ltd., at the end of 2016 and state your observation.

6. Stocks A, B and C display the following parameters.

	A	B	C
Expected Return	15	20	25
Expected Variance	9	16	4

If an Investor has to choose two securities from this which should he select.

7. The return of Security L and Security K for the past five years is given below :

Year	Security L Return (%)	Security K Return (%)
2013	10	11
2014	04	– 6
2015	05	13
2016	11	8
2017	15	14

Calculate the risk and return of portfolio consisting of the above two securities in equal weights.

SECTION – B

Answer **any three** questions. **Each** question carries **ten** marks : **(3×10=30)**

8. Discus the systematic and unsystematic risks associated with the investments.

9. Explain the assumptions, proposition and limitations of Markowitz Modern Portfolio Theory.

10. Mr. A has invested in three Mutual Fund Schemes as per the details given below :

	MF 'A'	MF 'B'	MF 'C'
Date of Investment	01-11-2017	01-02-2018	01-03-2018
Amount of Investment	Rs. 1,00,000	Rs. 2,00,000	Rs. 2,00,000
NAV at entry date	Rs. 10.30	Rs. 10.00	Rs. 10.10
Dividend received up to 31-03-2018	Rs. 2,850	Rs. 4,500	Nil
NAV as on 31-03-2018	Rs. 10.25	Rs. 10.15	Rs. 10.00

Assume 1 year = 365 days.

Show the amount of rupees up to two decimal points.

You are required to find out the effective yield (up to three decimal points) on per annum basis in respect of each of the above three Mutual Fund (MF) schemes up to 31-03-2018.

11. An investor wants to build a portfolio with the following four stocks. With the given details, find out his portfolio return and portfolio variance. The investment is spread equally over the stocks. Market Return = 11 and Market Return Variance = 26.

Company	α	β	σ_{ei}^2
Sneha	0.17	0.93	45.15
Neha	2.48	1.37	132.25
Asha	1.47	1.73	196.28
Priya	2.52	1.17	51.98

SECTION – C

This is a compulsory question carrying **fifteen** marks : **(1×15=15)**

12. **Case study.**

An investor holds two stocks A and B. An analyst prepared ex-ante probability distribution for the possible economic scenarios and the conditional returns for two stocks and the market index as shown below :

Economic Scenario	Probability	Conditional Returns (%)		
		A	B	Market
Growth	0.40	25	20	18
Stagnation	0.30	10	15	13
Recession	0.30	– 5	– 8	– 3

The risk free rate during the next year is expected to be around 11%. Determine whether the investor should liquidate his holdings in stocks A and B or on the contrary make fresh investments in them. CAPM assumptions are holding true.
