

M.Com. (HPP) (AAA) Sem.-2 Examination

CC - 9

Investment Management

June 2022

Time : 2-00 Hours]

[Max. Marks : 50

SECTION: I

(Attempt any TWO questions out of given from section I)

Q.1

(A) Define Investment. Discuss Investment Process. 10

(B) Write a short note on the attributes of an Investment. 10

Q.2

(A) Discuss Random walk theory of security analysis. 10

(B) Write a note on Fundamental analysis. 10

Q.3

Following information is available in respect of two investments P & Q and the predictions are:

Situation	Probability	Return %	
		P	Q
Bullish	0.20	10	30
Stable	0.60	20	15
Bearish	0.20	30	5

You are required to calculate:

- (1) The expected return of security 'P' and security 'Q',
- (2) The covariance between the returns of security 'P' and security 'Q'
- (3) The standard deviation from the returns on security 'P' and security 'Q'
- (4) The coefficient of correlation i.e. r_{PQ} between the returns of security 'P' and security 'Q'
- (5) Portfolio return based on ideal allocation of funds.
- (6) Portfolio risk based on ideal allocation of funds.

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Q.4

(A) The following details are of security B and the market index (Nifty):

Period	Security B (Price)	Nifty i.e. Market index
Beginning of the year	₹ 200	10,000
End of the year	₹ 250	12,000

Assume the risk-free rate is 4% and market return is 12%

You are required to calculate:

- (i) The Beta of the security under the rise over run method.
- (ii) Expected return of the security.
- (iii) If the company has been maintaining a growth rate of 4% in dividends and expected

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to pay dividend ₹15 per share next year, what would be the equilibrium price per share by dividend growth model?

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(B)

If the risk-free return is 5% and the expected return on NSE index 9% (and Market risk measurement by standard deviation is 5%),

- (i) How would you construct an efficient portfolio to produce 8% expected return and what would be its risk?
- (ii) How would you construct a portfolio giving expected return of 10% and what would be its risk?

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SECTION: II

(Attempt any TEN MCQs out of given from section II)

Q.5 Select the appropriate alternative:

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(1) The beta value of a particular security (i.e. β_s) is 2. If the market portfolio return is 12% and the risk-free return is 5% then the expected return on this security under CAPM will be one of the following:

- (a) 10%
- (b) 24%
- (c) 19%
- (d) 9%

(2) One factors model is also known as:
(a) CAPM (Capital Asset Pricing Model)
(b) APT (Arbitrage Pricing Theory)
(c) Markowitz theory
(d) Black-Scholes Model.

(3) If the covariance between the returns on security A and security B i.e. COV_{AB} is - 24 and the standard deviation of returns on A and B are 6 and 10 respectively, then the value of r_{AB} will be one of the following:

- (a) -0.4
- (b) -1
- (c) -4
- (d) + 0.8

(4) One of the following does not present the formula for the beta of security i.e. β_s :

- (a) $\frac{Cov_{SM}}{r_{SM}}$
- (b) Δ % change in security price / Δ % change in market index
- (c) $\frac{Cov_{SM}}{\sigma_M^2}$
- (d) $\frac{(r_{sm} \times \sigma_s)}{\sigma_m}$

(5) An efficient portfolio indicates $r =$ _____:

- (a) 1
 - (b) -1
 - (c) .10
 - (d) -.10
- (6) Sharpe's model considers:
- (a) Standard Deviation
 - (b) Beta
 - (c) Gama
 - (d) None of these
- (7) Capital market Securities.
- (a) Are long term
 - (b) Pay fixed income
 - (c) Not Marketable
 - (d) All of the above
- (8) Taken risk in a hope of a favorable outcomes is called_____.
- (a) Savings
 - (b) Gambling
 - (c) Speculation
 - (d) None of these
- (9) Which of the following is marketable investment?
- (a) Shares
 - (b) Bank Deposits
 - (c) Post office deposits
 - (d) National Saving Certificate
- (10) Which of the following is a derivative security?
- (a) Futures
 - (b) Forward
 - (c) Options
 - (d) All of the above
- (11) Unsystematic risk is also known as_____.
- (a) Market risk
 - (b) Unique risk
 - (c) Expected Risk
 - (d) Non- diversifiable risk
- (12) The efficient market analysis is also known as one of the following:
- (a) Fundamental Analysis
 - (b) Rise over run theory
 - (c) Random Walk theory
 - (d) None of these

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