



Seat No. : \_\_\_\_\_

# DA-101

December-2025

IMBA, Sem.-V

IMBA in Finance (FM) / IMBA in HR and Public Administration (HRPA) /  
IMBA in Business Management (BM)

DPPG-IMBA-F-DSC-C-351 / DPPG-IMBAF-F-DSC-C-351 / DPPG-IMBAH-  
F-DSC-C-351

Fundamentals of Investment (FOI)

Time : 2:00 Hours]

[Max. Marks : 50

1. (A) Rahul invests the following sums of money in common stocks having expected returns as follows : 10

Security	Amount Invested (₹)	Expected Return
Moser Baer	6,000	14%
Kirloskar Cummins	11,000	16%
FDC Ltd.	9,000	17%
Novartis India	7,000	13%
GTL	5,000	20%
Pfizer	13,000	15%
Excel Industries	9,000	18%

- (a) What is the expected % return on his portfolio ?  
(b) What would be his expected return if Rahul quadruples his investment in GTL while leaving everything else the same ?

OR

1. (A) Stock A & B have the following historical returns : 10

Year	Stock A's Return ( $K_A$ ) %	Stock B's Return ( $K_B$ ) %
1995	-12.24	-5.00
1996	23.67	19.55
1997	35.45	44.09
1998	5.82	1.20
1999	28.30	21.16

You are required to calculate the average rate of return for each stock during the period 1995 through 1999. Assume that someone held a portfolio consisting of 50% of A & B each, what would have been the realized return on the portfolio each year ? What would have been the average return on the portfolio during the period ?

2. (A) A company has declared and paid current dividend of ₹ 2, which will grow at 15% (i.e.  $g_1$ ) up to first four years, then its growth rate will go down to 10% (i.e.  $g_2$ ) thereafter. The expected rate of return on equity shares (i.e.  $k_e$ ) is 16%. Calculate the current market price (i.e.  $P_0$ ) of the equity shares under two stage growth model (H-Model). 10

**OR**

2. (A) Write a detail note on credit rating along with its implication. 10
3. (A) Consider the following information on the returns on the market portfolio and XYZ stock : 10

Year	Market Portfolio	XYZ
1980	0.32	0.40
1981	- 0.05	0.14
1982	0.21	0.28
1983	0.22	0.40
1984	0.06	- 0.07
1985	0.32	0.25
1986	0.18	0.07

Assume that the risk-free rate is 8%. According to the CAPM, what should be the expected return of XYZ ?

**OR**

3. (A) 

Investment in Equity Shares	Initial price	Dividend / Interest	Market Price (end of the year)	Beta risk factor
Power Ltd.	25	2	50	0.5
Coal Ltd.	35	2	60	0.6
Government bonds	1,000	140	1,005	0.66
Steel Ltd.	45	2	135	0.4

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Risk-free return may be taken at 14%.

You are required to calculate :

- (1) Expected rate of return of portfolio in each using CAPM model.
- (2) Average return of portfolio
4. (A) Vikram is a financial advisor who manages money for high-net-worth individuals. For a particular client, Vikram recommends the following portfolio of stocks : 10

Stock	No. of share	Price per share	Beta
ATL	8000	40	0.8
BTL	9000	36	0.3
CTL	7000	45	1.6
DTL	10500	30	1.2
ETL	4000	60	-0.5

- (a) Calculate the portfolio weights implied by Vikram's recommendations. What fraction of the portfolio is invested in ATL and BTL combined ?
- (b) Suppose that the client purchases the stocks suggested by Vikram, and a year later the prices of the five stocks are as follows :  
ATL (₹ 60), BTL (₹ 50), CTL (₹ 38), DTL (₹ 20), ETL (₹ 50).  
Calculate the portfolio weights at the end of the year. Now what fraction of the portfolio is held in ATL and BTL combined ?
- (c) Considering data of (a) above, if a HNI is interested in a portfolio with a beta of 1.00, and if Vikram invests equally in all the above stocks except DTL, where he invests 30%, does it serve investor's purpose ?

**OR**

4. (A) The following stocks are available for investment :

**10**

Stock	Beta
Zicom Security	1.40
Tin Plate India	0.80
Nestle India	0.60
LKP Securities	1.80
Mirza Tanner	1.05
Zee Telefilms	0.90

- (a) If you invest 20% of your funds in each of the first four securities and 10% in each of the last two, what is the beta of the portfolio ?
- (b) If the risk-free rate is 8% and the expected market return on the market portfolio is 14%, what will be the portfolio's expected return ?

5. Multiple Choice Questions : (Any **10** out of 12)

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- (1) Which of the following is not a financial investment ?
- (i) Purchase of shares                      (ii) Purchase of bonds  
(iii) Purchase of car                        (iv) Purchase of debentures
- (2) The object of portfolio is to reduce \_\_\_\_\_ by diversification.
- (i) Return                                        (ii) Risk  
(iii) Uncertainty                                (iv) Percentage
- (3) The function of a financial system is to \_\_\_\_\_.
- (i) establish a link between savers and invest  
(ii) link commercial banks with the Central Bank of a country  
(iii) create regulators for influencing the intermediaries  
(iv) help traders and moneylenders in the capital market
- (4) An underwriter takes up \_\_\_\_\_.
- (i) the unsubscribed agreed portion of issued capital  
(ii) fixed portion of issued capital  
(iii) book building  
(iv) private placement

- (5) The New Issue Market and Stock Market \_\_\_\_\_.
- are independent of each other
  - control each other
  - compete with each other
  - complement each other
- (6) Book building means \_\_\_\_\_.
- fixed price of shares
  - variable price auction
  - making a book for publisher
  - price index
- (7) The intrinsic value of share shows :
- Cash dividends expected in future
  - Market expectations of share
  - True economic value of share
  - The performance of company in the market
- (8) Fundamental Analysis consist of :
- Reading bar charts and graphs to find out the future value of shares
  - Efficient Market Theories
  - Combining a set of securities through Markowitz Model for an efficient Portfolio.
  - Making an analysis of economic factors and company analysis
- (9) In the bull market \_\_\_\_\_.
- stock prices are increasing
  - each peak is higher than previous peak
  - prices are falling
  - there is stability in stock prices
- (10) Technical analysis is useful \_\_\_\_\_.
- to make an estimate of growth in stock market
  - to find out the market forces influencing stock market
  - to indicate the direction of overall market
  - to analyse the economic activity of government
- (11) In the strong form of the efficient market
- Stock prices show the performance of the firm
  - The stock prices reflect past price of the share
  - All information is reflected on the price of the share
  - Mutual funds are consistently superior to other investors
- (12) Which theory believes that the investor prefer smaller returns ?
- Modern
  - Traditional
  - Jensen D. Sharpe
  - None of these
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