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2804E454

Candidate's Seat No : _____

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

CC-9

Investment Management

April-2025

Time : 2-30 Hours] **[Max. Marks : 70**

Q.1

(A) Explain Investment attributes. 7

(B) Differentiate between Investment and speculation. 7

OR

Q.1

(A) Define Investment. Explain Investment process in brief. 7

(B) Explain Book Building process. 7

Q.2

(A) Differentiate between Systematic risk and Unsystematic risk. 7

(B) Explain Random Walk theory. 7

OR

Q.2

(A) Following details are related to Megha Ltd. for the year 2024-25:

(i) Cost of capital (Ke) = 16%.

(ii) Current year dividend paid ₹8.

(iii)Growth rate 10%.

You are required to:

a) Calculate the current market worth of the equity share (i.e. P_0).

b) If the current market price of the share is ₹150, what an investor should do? 7

(B) 11% Bond carrying par value of ₹ 1000 matures after 5 years. The bond is redeemable at par on maturity. The expected yield to maturity is 15% the present market price is ₹ 820. Mr. A an investor would seek your advice whether to buy or sell it? Explain. 7

Q.3

(A) Explain Security Market Line. 7

(B) What are the objectives of Portfolio Management? Explain. 7

OR

Q.3 Following information is available in respect of security Lemon Ltd. and Market Portfolio and the economic predictions are:

Economic Prediction	Probability	Lemon Ltd. (Return%)	Market Portfolio (Return%)
Bullish	0.25	25	40
Bearish	0.25	15	(20)
Normal	0.50	20	10

You are required to calculate:

(i) the expected return of security Lemon Ltd. and Market Portfolio,

(ii) the covariance between the returns of security Lemon Ltd. and Market Portfolio,

(P.T.O)

(iii)the standard deviation from the returns on security Lemon Ltd. and Market Portfolio,
(iv)the coefficient of correlation between the returns of security Lemon Ltd. and Market Portfolio.
(v) Beta of security Lemon Ltd. **14**

Q.4
(A) Explain Arbitrage Pricing Theory (APT). 7
(B) Explain Sharpe model and Treynor model in brief. 7

OR

Q.4
(A) Following details relate to the stock Heena Ltd.'s price and Market index are as under:

Year	Security Price (in ₹)	Market Index
2023-24	2,000	25,000
2024-25	2,500	27,500

Assume that the risk-free rate of return is 6.5% and the return on market index is 16.5%.
Answer the followings:
(i) Calculate the beta of security (βs) under the "Rise over Run" method.
(ii) Calculate the expected return on the security on the basis of beta value. **7**

(B) The following is the information related to Kion Mutual Funds Ltd.:

Mutual Funds Scheme	Average annual return	Standard deviation	Correlation with market
IT Fund	33	30	0.85
Pharma Fund	24	28	0.80
Energy Fund	26.5	27	0.65

Further details are:
(i) Market risk (S.D.) 14%
(ii) Risk free rate 6%
From the above details, you are required to rank these portfolios using:
a) Treynor Index method and
b) Sharpe Index method. **7**

Q.5 Select the appropriate alternative: **(Attempt any Seven out of Given)** **14**

(1) Mutual funds units _____.
(a) can be in fraction
(b) can never be in fraction
(c) always less than 100
(d) None of the above

(2) NAV changes_____.
(a) Daily
(b) Once in a while
(c) Never
(d) None of the above

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

(4) For perfectly negatively correlated portfolio, r =_____:
(a) +1
(b) -1
(c) +0.10
(d) -0.10

(5) If the covariance between the returns on security P and security Q i.e. COV_{AB} is 48 and the standard deviation of returns on P and Q are 12 and 5 respectively, then the value of r_{PQ} will be one of the following:
(a) -0.8
(b) -1
(c) -4
(d) + 0.8

(6) If Beta is equal to 1, security is_____
(a) Defensive
(b) Aggressive
(c) Neutral
(d) None of Above

(7) Capital Asset Pricing Model return is also known as_____ return.
(a) CML
(b) SLM
(c) PERT
(d) CAM

(8) One of the following is not the value of coefficient of correlation between the security return and market portfolio return, i.e. r_{SM}
(a) -1
(b) +1
(c) +30
(d) 0

(9) Beta is determined with the help of _____method.
(a) Rise over Run
(b) Run over Rise
(c) Run over Return
(d) None of the above

(10) The beta value of a particular security (i.e. β_S) is 1.5. If the market portfolio return is 7.5% and the risk-free return is 2.5% then the expected return on this security under CAPM will be one of the following:
(a)10%

(P.T.O)

(b)25%
(c)30%
(d)35%

(11) Treynor Index considers:
(a) Standard Deviation
(b) Beta
(c) Gama
(d) None of these

(12) Systematic risk is also known as____.
(a) Low risk
(b) Unique risk
(c) Expected Risk
(d) Non- diversifiable risk

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