



Seat No. : _____

XX-133

April -2013

Five Years M.B.A. Integrated (K.S.)

VTH M.B.A.

Investment Management (Finance)

Time : 3 Hours]

[Max. Marks : 70

1. (a) Answer the following questions : (any **one**) **7**

- (1) Define the term 'Investment'. Discuss various investment avenues available to investors with their classification.
- (2) Why should a company issue convertible securities instead of straight bonds or equity shares ? Also explain the meaning of conversion ratio and conversion value.

(b) The returns offered by two securities 'X' and 'Y' during five successive years are given below :

Return from Security 'X' (%)	Return from Security 'Y' (%)
16	9
13	12
17	24
19	14
15	21

Find out which of the two securities has a higher risk. Also explain systematic risk and unsystematic risk. **7**

2. (a) Explain Markowitz portfolio theory. **7**

(b) What are the basic assumptions of CAPM ? Distinguish between the security market line and capital market line. **7**

OR

Mr. Mahesh wants to construct an optimum portfolio. The following information is available to him. Find out the optimum portfolio. **14**

Expected Market Return = 14%

Market Variance = 10%

Risk free rate of return = 5%

Available securities are as follows :

Security	α	β	σ^2_{ei}
A	0.45	0.75	4.52
B	0.60	1.27	5.92
C	3.72	0.99	9.35
D	0.41	0.96	9.79
E	-0.22	1.21	5.39

3. (a) What are the three forms of market efficiency ? Explain. Also discuss various tests used for testing forms of market efficiency. **5**
- (b) A stock index is currently at 820. The continuously compounded risk free rate of return is 9% p.a. and the dividend yield on the index is 3% p.a. What should the futures price for a contract with 3 months to expiration be ? **4**
- (c) Differentiate between call and put options. What are the rights and obligations of the holders long and short positions in them ? How are European style options different from American style options ? **5**

OR

- (a) You are given the following data on a certain share and a call option on the stock : **8**
- | | |
|---|----------|
| Share price | ₹ 67 |
| Exercise price | ₹ 65 |
| Time to expiration | 3 months |
| Risk free rate of return
(continuously compounded) | 8% p.a. |
| Variance of Stock's return | 0.36 |
- Required :
- (1) Calculate the value of the option using the black and scholes model.
- (2) If this option is priced at ₹ 7.50, what investment strategy would you suggest ?
- (3) Using the answer of (1), calculate the value of a put option with identical exercise price and time to maturity.
- (b) Distinguish between Forward, Futures and Options. **6**

4. State the meaning, rationale, procedure and limitations of fundamental analysis. **14**

OR

Discuss various methods of analyzing performance of a company mentioning their merits and demerits.

5. (a) Explain the use of the following charts in Technical Analysis : **8**
- Line chart
 - Point and figures chart
 - Bar chart
 - Japanese Candle Stick chart
- Also explain limitations of Technical Analysis.
- (b) What do you mean by immunization of a bond portfolio and how can this be achieved ? **6**

OR

A 5 year bond with a face value of ₹ 100 has a coupon rate of 10%. The market interest rate is 12%. The Bond is redeemable at par after 5 years. Calculate the duration of the bond.