MB 118 A (R)

III Semester M.B.A. Examination, July 2010
MANAGEMENT
Elective : A – Finance (Repeater)
C – 18 A : Portfolio Management and Security Analysis

Time : 3 Hours   Max. Marks : 75

SECTION – A

1. Answer **any five** questions. **Each** question carries **two** marks.

   a) What is cost of growth model ?

   b) Define current yield.

   c) What is earnings multiplier ?

   d) What is yield to maturity ?

   e) How market index is determined ?

   f) Why Beta co-efficient is used ?

   g) What is interest period risk ?

SECTION – B

Answer **any four** questions. **Each** question carries **five** marks.

2. "No Investment Decisions are made without calculating risk". Do you agree ? As an Investment Manager of a firm, mention the various steps involved in the investment decision making process.

3. What are the various methods of floating the new issue ? Enumerate the roles played by the Underwriter and the Bankers to the issue.

4. What is capital market Hypothesis ? Illustrate.

5. What is the role of SEBI in the securities market as a regulator and as a developer of the capital market ?

6. What are the major criticisms of the technical analysis ?

7. Discuss the Markowitz Theory of Portfolio Selection. How does Markowitz theory help in planning an investor's portfolio ?

SECTION – C

Answer **any three** questions. **Each** question carries **ten** marks.

8. An aggressive Mutual Fund promises an expected rate of return of 18% with a standard deviation of 22%. On the other hand, a conservative mutual fund promises an expected rate of return of 16% and fluctuations of 13%.
   i) In which of the funds would you like to invest ?
   ii) Would you like to invest in both the funds ?
   iii) If you can borrow money from you provident fund at an opportunity cost of 15%, in which fund would you invest your money ?

9. Explain the concept of "Mutual Fund'. What factors should be considered before selecting a Mutual Fund ? Discuss the present state of the Mutual Funds in India and outline the risks involved in investing in Mutual Funds.

10. Vamsi is considering the purchase of a bond currently selling at Rs. 878.50. The bond has four years to maturity, face value of Rs. 1,000 and 8% coupon rate. The next annual interest payment is due after one year from today. The required rate of return is 10%.
    i) Calculate the intrinsic value (present value) of the bond. Should Vamsi buy the bond ?
    ii) Calculate the yield to maturity of the bond.

11. Explain the technique of fundamental analysis.

12. Write short notes on **any four** of the following :
    a) Dow theory
    b) Odd lot trading
    c) Point and Figure charts
    d) Serial bond
    e) Superfluous Diversification
    f) Market Risk.

SECTION – D

Compulsory **15**

13. An aggressive Mutual Fund promises an expected rate of return of 18% with a standard deviation of 22%. On the other hand, a conservative mutual fund promises an expected rate of return of 16% and fluctuations of 13%.

    i) In which of the funds would you like to invest ?

    ii) Would you like to invest in both the funds ?

    iii) If you can borrow money from you provident fund at an opportunity cost of 15%, in which fund would you invest your money ?