

MBA 3rd Semester Examination, 2024

MBA

(Investment Analysis and Portfolio Management)

PAPER – MBA-306F

Full Marks : 100

Time : 3 hours

Answer all questions

The figures in the right hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

GROUP – A

Answer any eight questions : 5 × 8

- 1. What is speculation ? How is it different from gambling ?** 2 + 3

(Turn Over)

2. The following data is given for security W :

State of economy	Probability(%)	Return(%)
Good	60	18
Moderate	30	14
Weak	10	10

You are required to compute the risk of W.

3. Write the assumptions of CAPM.
4. Explain the Dow theory.
5. What are the advantages of investing in mutual funds ?
6. Write a short note on price charts.
7. Why is valuation of equity more difficult than that of bonds ?
Compute the spot interest rate for a zero-coupon bond having face value of Rs. 1000

which is going to mature after 3 years at par.
The present price of the bond is Rs. 772.

2 + 3

8. A security was purchased by Mrs. E in 2020 at a price of Rs. 200. She sold the security at a price of Rs. 300 after four years. If the dividend received during the period amounts to Rs. 40, compute the holding period rate of return. Also, determine the compounded annual growth rate.
9. Mr. Z holds a portfolio having two securities G and K in the ratio of 2:3. Their respective returns are 12% and 18%. The standard deviation of these securities is 10% and 15% respectively. If the correlation coefficient between G and K is (-) 1, compute portfolio return and portfolio risk.
- What should be the ratio of investment in the two securities so that the portfolio risk is minimised at this correlation coefficient ?

3 + 2

1 + 2 + 2

10. Write a short note on Equity fund and Balanced fund.

11. What do you understand by strong and weak forms of market efficiency ? Explain.

12. What is yield-to-maturity ?

The bond issued by BC Ltd. has coupon rate of 10% and market price of Rs. 740. If the face value of the bond is Rs. 1000 and it is going to mature after 4 years, compute the yield-to-maturity.

- 2 + 3

GROUP – B

Answer any four questions : 10 × 4

13. (i) What are the differences between fundamental analysis and technical analysis ?

(ii) Explain the concept of 'support and resistance' under technical analysis. 5 + 5

14. (i) Write the differences between open-ended and closed-ended mutual fund.

(ii) You are required to rank the following four fully diversified funds based on the following information :

Fund	Return(%)	Beta	Std. deviation(%)
B	14	1.95	12
D	18	2.10	10
F	11	1.55	8
H	22	2.85	15

The risk-free rate of return is 5%. 5 + 5

15. (i) How is the concept of valuation relevant for investors ?

(ii) The following is the details of a bond issued by AB Ltd.

The bond has a face value of Rs. 1000 that offer a coupon rate of 12%. The bond is going to mature at par after 4 years.

You are required to compute the bond duration assuming the cost of capital is 11%.

3 + 7

16. (i) Compute the return from a scheme of CD Mutual Fund for the period 2023-2024.

Year	2023(Rs.)	2024(Rs.)
Market value of investment	10,00,000	12,00,000
Book value of investments	8,00,000	10,00,000
Current assets	5,00,000	4,00,000
Cash and cash equivalents	2,00,000	3,00,000
Accrued income	1,00,000	2,00,000
Bank loan	4,00,000	2,00,000
12% debentures	3,00,000	4,00,000
Current liabilities	2,50,000	3,20,000
Outstanding expenses	1,00,000	2,50,000
No. of units	10,000	10,000

- (ii) How is information about beta of a security useful in investment-related decision-making? Write the formulae for computing beta of a security. 6 + (3 + 1)

17. (i) It is given that the systematic risk of two securities M and N is 2.50 and 1.80 respectively whose expected returns are 29% and 22% respectively. You are required to compute the expected return from two securities S and W which have beta of 1.20 and 1.95 respectively.

- (ii) Write a short note on Jensen's alpha for evaluating mutual funds. 5 + 5

18. Discuss the concept of efficient frontier. How can you identify the optimal portfolio for an investor? 6 + 4

[Internal Assessment – 20 Marks]
