

D 11580

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Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

[November 2020 for SDE/Private Students]

(CBCSS)

M.Com.

MCM 3E (F) 01—INVESTMENT MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions (Not applicable to SDE/Private Students)

1. *In cases where choices are provided, students can attend **all** questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub-section / sub-part / sub-division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A

*Answer any **four** questions.
Each question carries 2 weightage.*

1. What are the basic investment objectives ?
2. What are the assumptions of the Markowitz Model ?
3. Explain the two basic approaches of security analysis.
4. Briefly describe :
 - (a) Support Levels ; and
 - (b) Resistance Levels.
5. A 10 year annual annuity has a yield of nine percent. What is its duration ?
6. What are the benefits of Dow-Jones theory ?
7. What is Capital Asset Pricing Model (CAPM) ?

(4 × 2 = 8 weightage)

Turn over

Part B

Answer any **four** questions.
Each question carries 3 weightage.

8. Explain the objectives of portfolio management.
9. What are the risks involved in investment in Government Securities ?
10. A portfolio consists of 3 securities, A, B and C. The proportions of these securities are 0.3, 0.5 and 0.2 respectively. The standard deviations of returns on these securities (in percentage terms) are : $\sigma_A = 6$, $\sigma_B = 9$, and $\sigma_C = 10$. The correlation coefficients among security returns are $\rho_{AB} = 0.4$, $\rho_{AC} = 0.6$, $\rho_{BC} = 0.7$. What is the standard deviation of portfolio return ?
11. The following information is available :

	Stock A	Stock B
Expected return	16 %	12 %
SD	15 %	8 %

Co-efficient of correlation is .60.

- (a) What is the covariance between Stocks A and B ?
- (b) What is the expected return and risk of a portfolio in which A and B have weights of 0.6 and 0.4.
12. You are thinking of acquiring some shares of ABC Ltd. The rates of return expectations are as follows :

Possible rate of return	Probability
0.05	.20
0.10	.40
0.08	.10
0.11	.30

13. A Rs. 100 par value bond bearing a coupon rate of 12 per cent will mature after five years. What is the value of the bond, if the discount rate is 15 per cent ?
14. A bond of Rs. 1,000 face value, bearing a coupon rate of 12 per cent, will mature after seven years. What is the value of the bond if the discount rates are 14 per cent and 12 per cent ?

(4 × 3 = 12 weightage)

Part C

*Answer any two questions.
Each question carries 5 weightage.*

15. Describe briefly the important investment avenues available to savers in India.
16. Stocks P and Q have the following historical returns :

Year	:	2009	2010	2011	2012	2013
Stock P's Return (KP)	:	- 12.24	23.68	34.44	5.82	28.30
Stock Q's Return (KQ)	:	- 7.00	25.55	44.09	2.20	20.16

You are required to calculate the average rate of return for each stock during the period 2009 to 2013. Assume that someone held a Portfolio consisting 50 % of Stock P and 50 % of Stock Q.

What would have been the realized rate of return on the Portfolio in each year from 2009 to 2013 ? What would be the average return on the Portfolio during the period ? (You may assume that year ended on 31st March).

17. The stock of Box Limited performs well relative to other stocks during recessionary periods. The stock of Cox limited, on the other hand, does well during growth periods. Both the stocks are currently selling for Rs. 100 per share. You assess the rupee return (dividend plus price) of these stocks for the next year as follows :

	Economic Condition			
	High Growth	Low growth	Stagnation	Recession
Probability	0.3	0.4	0.2	0.1
Return on Box's Stock	100	110	120	140
Return on Cox's Stock	150	130	90	60

Calculate the expected return and standard deviation of investing :

- (a) Rs. 1,000 in the equity stock of Box limited.
- (b) Rs. 1,000 in the equity stock of Cox limited.
- (c) Rs. 500 each in the equity stock of Box limited Cox limited.
18. 'Chart patterns are helpful in predicting the stock price movement'—Comment.

(2 × 5 = 10 weightage)