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# P.E.S. College of Engineering, Mandya - 571 401
*(An Autonomous Institution affiliated to VTU, Belagavi)*
**Third Semester, Master of Business Administration (MBA)**
**Semester End Examination; Dec. - 2019**
**Investment Management**

Time: 3 hrs                                                                                   Max. Marks: 100

*Note*: Answer all **FOUR** full questions from **PART-A** and **PART-B** (Case Study) is compulsory.

## PART - A

| | | |
|---|---|---|
| 1 a. | Define Investment. Explain different investment alternatives available for an investor to make investment. | 10 |
| b. | A chemical company paid a dividend of ` 2.75 during the current year. Forecasts suggest that earnings and dividends of the company are likely to grow at the rate of 8% over the next 5 years, at the rate of 5% thereafter. Investors have traditionally required rate of return of 20% on these shares. What is the present value of stock? | 10 |

**OR**

| | | |
|---|---|---|
| 2 a. | Explain Michael Porter's 5 force model of Industry analysis. | 10 |
| b. | Mohan is considering the purchase of a bond currently selling at ` 878.50.the bond has 4 years to maturity, face value of ` 1000 and 8% coupon rate. The next annual interest payment is due after one year from today. The required rate of return is 10% <br> i) Calculate the intrinsic value of the bond. Should he buy the bond? <br> ii) Calculate the yield to maturity of the bond. | 10 |
| 3 a. | Explain the various steps involved in buying and selling of shares. | 10 |
| b. | What is duration of a bond? Calculate the duration of a 6 year bond, currently priced at ` 89.50 The par value of the bond is `100 and the coupon rate is 15% p.a. YTM is 18% p.a. | 10 |

**OR**

| | | |
|---|---|---|
| 4 a. | Briefly explain the various initiatives taken up by SEBI to reform Indian capital market. | 10 |
| b. | What is Speculation? How Speculation does is different from investment? | 10 |
| 5 a. | Explain briefly the types of tests that have been common employed to verify the weak form of efficient market hypothesis. | 10 |
| b. | What is the breadth of the market? Calculate the same for the data given below: | 10 |

| Day | Tuesday | Wednesday | Thursday | Friday | Monday | Tuesday |
|---|---|---|---|---|---|---|
| Advance | 630 | 690 | 746 | 492 | 366 | 404 |
| Declines | 527 | 475 | 424 | 630 | 701 | 698 |

**OR**

| | | |
|---|---|---|
| 6 a. | Fundamental analysis provides an analytical framework for rational investment decision making. Explain. | 10 |

b. Define a moving average. From the following information relating to the closing prices of Laxmi Industries Limited. Calculate the 5 day moving average.

10

| Day | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|-----|---|---|---|---|---|---|---|---|---|----|----|
| Closing prices (`) | 22 | 25 | 26 | 24 | 28.5 | 29 | 28 | 26.5 | 27.5 | 25 | 23.5 |

7 a. Explain the various macro economic factors that affect investment decision under economic analysis?

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b. What is technical analysis? Explain the concept of Dow theory.

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**OR**

8 a. What are 3 forms of market efficiencies? Explain their implications.

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b. What is a bond? What are the different types of risk associated with bonds?

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**PART - B ( Case study - Compulsory)**

9. Jaya Ltd. has a 14% debenture with a face value of ` 100 that matures at par in 15 years. The debenture is callable in 5 years at ` 114. It currently sells for ` 105.

Calculate each of the following for this debenture,

i) Current yield

ii) Yield to call

iii) Yield to maturity

iv) Given the same maturity period of 15 years and market interest rate of 10%. Should the investor hold or sell the bond?

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