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## P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belgaum)

Third Semester, Master of Business Administration (MBA)

Semester End Examination; Dec - 2016/Jan - 2017

**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. Write about Investment attributes. 10
- b. Differentiate between Investment and Speculation. 10

**OR**

- 2 a. What is Primary Market? What are the factors need to be considered by an investor to make investment in primary market? 10
- b. From the following data available for a bond,  
Face Value - ` 100; Years to maturity - 4; Coupon Payment - 9%; Market Price - ` 90;  
What is the YTM, duration of Bond and modified duration? 10
- 3 a. What are the different modes of Raising Funds? 10
- b. Write a note on Bond value theorems and illustrate it with examples. 10

**OR**

- 4 a. What do you mean by Efficient market Hypothesis? Explain the different forms of Efficiencies. 10
- b. What do you mean by money market? What are the instruments used for trading in money market? 10
- 5 a. What is Dow theory? Explain it in detail the trends in securities market as per Dow Jones theory. Illustrate with examples. 10
- b. From the following information compute price per share. If the outstanding debt of the company is 200 million and required rate of return of investor is 15% p.a.

Year	FCFF (Million)
1	300
2	200
3	500
4	300
5	200

After 5 years, it is likely to grow at rate of 5% p.a. forever.

**OR**

- 6 a. What do you mean by technical analysis? Explain in brief confidence index, RSI, moving average and MACD. 10
- b. Write a note on different Indices of India stock exchanges. 10

- 7 a. A current year dividend on an equity share of XYZ Ltd. is ₹ 2. XYZ is expected to enjoy an above normal growth rate of 20% for a period of 6 years. There after the growth rate will fall and stabilized at 10%. Equity investor requires return of 15%. What is intrinsic value of XYZ Ltd. 10
- b. Define the Bond and explain the features of Bonds. 10

**OR**

- 8 a. Explain Fundamental Analysis. 10
- b. Return of ABC company due to capital appreciation and dividend after making adjustment for the outflow of income is 16.27% for the period 2003 - 2008. Let us assume that the return would continue to grow at this rate for another 4years. The recent dividend pay by the company to its stock holder is 40% and the EPS on October 2008 is ₹ 35 and P/E ratio is 4.8. If an investor wants to buy hold the ABC stock for another 4 years, what would be the idle price, if is required rate of return 20%? The price is ₹ 167 on 14<sup>th</sup> October 2008. 10

**PART - B**

9. Case Study:

The Financials of Manotech Limited are given below :

( ₹ in Million)

Particulars	20x1	20x2	20x3	20x4	20x5
Net Sales	250	290	345	480	520
Cost of goods sold	190	222	270	378	404
Gross Profit	60	68	75	102	116
Operating expenses	15	18	20	28	30
Operating Profits	45	50	55	74	86
Non-operating surplus/deficit	5	8	9	6	8
PBIT	50	58	64	80	94
Interest	15	18	20	24	28
Profit before tax	35	40	44	56	66
Tax	9	11	12	14	17
Profit After tax	26	29	32	42	49
Dividends	10	12	12	16	16
Retained earnings	16	17	20	26	33
Equity share Capital ( ₹ 5 par value)	80	80	80	120*	120
Reserves & Surplus	40	57	77	63	96
Share holder's fund	120	137	157	183	216
Loan funds	60	63	73	90	100
Capital employed	180	200	230	273	316
Net fixed assets	105	128	150	195	210
Investments	10	12	15	5	16
Net current assets	65	60	65	73	90
Total assets	180	600	230	273	316
Market price share (End of year)	₹ 17.5	21	24.5	21.6	24.2

\* Bonus shares were issued in the ratio of 1:2.

- a. Calculate the following for the last five years: Return on equity, Book value per share, EPS, Bonus adjustment factor, Adjusted EPS PE ratio, PB ratio, Retention ratio. 20
- b. Calculate the CAGR of Sales, CAGR of EPS, and volatility of ROE.

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