

20P351

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Name:.....

Reg. No:.....

THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2021

(CBCSS-PG)

(Regular/Supplementary/Improvement)

CC19P MCM3 E01 - INVESTMENT MANAGEMENT

(Commerce)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

SECTION-A

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

1. What is ethical investing?
2. What is meant by bond ladder strategy?
3. What is RSI? How it is calculated?
4. What is Capital Asset Pricing Model?
5. What is an optimal portfolio?
6. Distinguish between constant rupee plan and constant ratio plan used in portfolio revision.
7. What is fundamental analysis?

(4 × 2 = 8 Weightage)

SECTION-B

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

8. Describe briefly the important investment avenues available to savers in India.
9. A person owns a Rs. 1000 face value bond with five years to maturity. The bond makes annual interest payments of Rs. 80. The bond is currently priced at Rs. 960. Given that the market interest rate is 10%. Should the investor hold or sell the bond?
10. A stock costing Rs. 50 pays no dividend. The possible prices of the stock at the end of the year and their probabilities are given below
End of year price : 60 65 70 75 80
Probability : 0.10 0.20 0.40 0.20 0.10
a) Find out the expected return. b) Find out the standard deviation of the returns.
11. Explain the Efficient Market Hypothesis. Describe the empirical tests used for testing various forms of market efficiency.
12. Information regarding two mutual funds and a market index are given below:

	Return (%)	Standard Deviation	Beta
Gold Fund	7	15	0.72
Platinum Fund	16	35	1.33
Market Index	10	24	1.00

Assuming the risk-free return as 5 per cent, calculate the differential return for the two funds.

13. “Behavioral biases distort our investment decision” Do you agree? Briefly explain any four behavioral biases?

14. What is meant by portfolio revision? Describe the constraints in portfolio revision.

(4 × 3 = 12 Weightage)

SECTION-C

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

15. The following data give the market return and return of Sun Co. Ltd for a particular period.

Index Return	Return of Sun Co. Ltd.
0.50	0.30
0.60	0.60
0.50	0.40
0.60	0.50
0.80	0.60
0.50	0.30
0.80	0.70
0.40	0.50
0.70	0.60

a) Calculate alpha and beta of Sun Co. Ltd.

b) If the market return is 2, what would be the return of Sun Co. Ltd?

16. What is Technical Analysis? Explain its Merits and Demerits. Also describe the different types of price charts used by technical analysts.

17. Prem 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%

a) Calculate the intrinsic value of the bond. Should Prem buy the bond?

b) Calculate the Yield to Maturity of the bond

18. Given the following variance-covariance matrix for three securities, as well as the percentage of the portfolio that each security comprises, calculate portfolio standard deviation.

Security	A	B	C
A	425	-190	120
B	-190	320	205
C	120	205	175
	$W_A = 0.35$	$W_B = 0.25$	$W_C = 0.40$

(2 × 5 = 10 Weightage)
