

M COM II SEM

SUBJECT: INVESTMENT MANAGEMENT

UNIT 1

SHORT QUESTION

1. What is mean by Investment?
2. What is financial meaning of Investment?
3. Write the economic meaning of Investment.
4. List out the indirect investment alternatives.
5. List out the Non-security investments.
6. What are the main features of an investment program?
7. List the main difference between investment and speculation.
8. What is mean by market risk?
9. What is mean by purchasing power risk?
10. Define the term bond, shares, debentures and mutual funds.

ESSAY QUESTION

1. Explain the various steps included in the process of investment.
2. What is investment media?
3. How many types of investment are there? Explain each.
4. What are financial assets? Explain the types of financial of financial assets.
5. Explain various steps in investment management.

UNIT 2

SHORT QUESTION

1. What is primary market?
2. What is FPO?
3. What is IPO?
4. What is secondary market?
5. What is security market index?
6. What is stock market revision?
7. Delisting of scripts from stock exchange, explain.

ESSAY QUESTION

1. What is new issue market and explain the steps involved in issuing the shares in NIM.
2. Which are the parties involved in NIM. Explain each.
3. Explain the investor protection act 1992.
4. Explain the steps involved in listing the company on stock exchange.
5. What are the steps involved in construction on market index?

UNIT 3

SHORT QUESTION

1. What is risk?
2. What is return?
3. What is holding period return?
4. What is equivalent annual return?
5. What is expected valued return?
6. What is market risk?
7. What is business risk?
8. What is purchasing power risk?
9. What is systematic risk?
10. What is unsystematic risk?

ESSAY QUESTION

1. An investor has analysed a share for a one year holding period. The share is currently selling for Rs 40 but pays no dividends and there is a fifty-fifty chance that the share will sell for either Rs.50 or Rs 60 by the year end. What is the expected returns?
2. Calculate the annual equivalent rate if the quoted interest rate on fixed deposit is 10% and the interest is paid quarterly.
3. A company has the following probability distribution of expected future returns. Calculate the expected returns from the following.

Probability	Forecasted returns
0.15	-15%
0.10	-10%
.20	5%
.20	12%
015	20%
.10	25%
.10	30%

4. A company has the following annual return over the past five years (ex post), Determine the average returns

YEARS	RETURNS
1	10%
2	-5%
3	14%
4	-6%
5	20%

5. The annual returns over past 5 years are given below for the Swathi Corporation, calculate the geometric mean.

YEARS	RETURNS
2011	15
2012	18
2013	12
2014	14
2015	17

6. The following are the annual returns of a company over the past 5 years. Determine average returns and the standard deviation of returns over the past 5 years.

YEARS	RETURNS
1	8%
2	10%
3	20%
4	6%
5	15%

7. Calculate the expected returns and the standard deviation of returns for a stock having the following probability distribution of returns,

POSSIBLE RETURNS	PROBABILITY OF OCCURENCE
-10 %	0.15
-20%	0.25
0%	0.10
25%	0.10
10%	0.15
20%	0.05
10%	0.20

8. Standard Deviation of a security:10%, Standard deviation of market portfolio:8%, Coefficient of correlation between the returns of the security and the market portfolio 0.9. Ascertain the Beta Coefficient.
9. Assume Risk free rate of interest is 10%: market returns:15% and beta 1.25 for security I, a) determine the expected returns for the security, b) What happens to the expected returns to the security if market rate increased to 16%?, what happens to the expected returns if Beta falls to 0.5?

UNIT 4

SHORT QUESTION

1. What is portfolio?
2. How many types of portfolio analysis approaches are there? Explain each.
3. Name the elements of portfolio management.
4. Explain the process of portfolio analysis.
5. What is portfolio returns?
6. What are the advantages of portfolio diversification?
7. What is portfolio evaluation?

ESSAY QUESTION

1. From the following information calculate portfolio expected returns.

Stock	Market Value	Returns
A	10,000	5
B	25,000	12
C	100,000	15
D	50,000	10
TOTAL	1,85,000	

2. Stock A and B had the following returns over the past five years, calculate the following a) average returns of A and B, b) risk for A and B, c) Covariance for A and B d) Correlation between A and B.

YEAR	RETURNS (A)	RETURNS (B)
2010	5	10
2011	-10	-12
2012	15	14
2013	4	5
2014	6	8
TOTAL	20	25

3. Two assets R & S have the following risk and return, standard deviation R = 30%, S = 25%, expected returns R = 15%, S = 10%, correlation between R and S = -0.3, Determine risk and return for a portfolio of assets R and S with the following weights.

PORTFOLIO	WEIGHT R	WEIGHT S
1	20%	80%
2	40%	60%
3	60%	40%

4. Explain about MARKOWITZ MODEL, its advantages and disadvantages.
 5. How risk and return is computed in case of portfolio with more than two securities?

UNIT 5

SHORT QUESTION

1. What is portfolio selection?
2. What is efficient set of portfolio?
3. What is feasible set of portfolio?
4. What is minimum variance portfolio?
5. What are indifference curves?
6. Explain the concept of alpha and beta in portfolio selection.

ESSAY QUESTION

1. Explain the multiple index model.
2. Explain briefly the Sharpe's single index model.
3. The following table provides information regarding the portfolio return and risk, the treasury bill rate is 5% which portfolio is the best

PORTFOLIO	EXPECTED RETURN (%)	RISK
A	10	4
B	12	7
C	13	5
D	16	12
E	20	14

4. The data for three stocks are given. The data are obtained from correlating returns on these stocks with the returns on the market index. Which single stock would an investor prefer to

own from a risk return view point, if the market index were expected to have a return of 15% and a variance of return of 20%.

SECURITY	ALPHA	DETA	RESIDUAL VARIANCE
1	-2.1	1.6	14
2	0.4	0.4	8
3	1.2	1.3	18

5. An investor owns a portfolio composed of five securities with trhe following characteristics if the standard deviation of the market index is 20% what is the total risk of the portfolio?

SECURITY	BETA	RANDOM ERROR TERM	PROPOTION
1	1.35	5	0.10
2	1.05	9	0.20
3	0.80	4	0.15
4	1.50	12	0.30
5	1.12	8	0.25