

INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT- FAQs

MB 302 F Elective -I

UNIT – I

SHORT NOTES:

1. Speculation (Apr/May-2017)
2. Risk-return trade off (Apr/May-2017)
3. Systematic risk (May/Jun-2018)
4. Risk aversion (May/Jun-2018)

ESSAY QUESTIONS:

1. What is investment process? Describe briefly the different steps involved in investment decisions.(Apr/May-2017)
2. What is Efficient Market Hypothesis? Distinguish the three levels of market efficiency.(Apr/May-2017)
3. What is fundamental analysis? Explain the key macro-economic factors considered in fundamental analysis.(May/Jun-2018)
4. Explain the risk-return relationship. Why standard deviation is commonly employed as a measure of risk?(May/Jun-2018)

UNIT – II

SHORT NOTES:

1. Yield-to-maturity (Apr/May-2017)
2. Bond immunization (Apr/May-2017)
3. Yield-to-Call (May/Jun-2018)

ESSAY QUESTIONS:

1. Explain the method for valuing a debenture that is compulsorily convertible (partially or fully) into equity shares.(Apr/May-2017)
2. The market price of Rs. 1,000 par value bond carrying a coupon rate of 14 percent and maturing after five years is Rs. 1,050. What is the yield to maturity (YTM) on this bond? What is the approximate YTM? What will be the realized yield to maturity if the reinvestment rate is 12 percent? (Apr/May-2017)
3. Explain and illustrate the following yield measures: current yield, yield-to-maturity, yield-to-call, and realized yield to maturity.(May/June-2018)

4.A company's bonds have a par value of Rs. 100, mature in seven years, and carry a coupon rate of 12 per cent payable annually. If the required rate of return on this bond is 16 per cent, what price should the bond command in the market place?(May/Jun-2018)

UNIT – III

SHORT NOTES:

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|----------------------------------|----------------|
| 1. Price-earnings multiplier | (Apr/May-2017) |
| 2. Deep discount bonds | (Apr/May-2017) |
| 3. Bond duration | (May/Jun-2018) |
| 4. Dividend capitalization model | (May/Jun-2018) |

ESSAY QUESTIONS:

1. What is price-earnings multiplier approach? Explain the key determinants of the price-earnings multiplier.(Apr/May-2017)
2. Vardhman Limited's earnings and dividends have been growing at a rate of 18 percent per annum. This growth rate is expected to continue for 4 years. After that the growth rate will fall to 12 percent for the next 4 years. Thereafter, the growth rate is expected to be 6 per cent forever. If the last dividend per share was Rs. 2.00 and the investors' required rate of return on Vardhman's equity is 15 per cent, what is the intrinsic value per share?(Apr/May-2017)
3. What do you mean by dividend capitalization models? Explain the two growth model of common stock valuation.(May/Jun-2018)
4. The current dividend on an equity share of Dixie Limited is Rs. 4.00 Dixie is expected to enjoy an above-normal growth rate of 18 per cent for 6 years. Thereafter the growth rate will fall and stabilize at 10 per cent. Equity investors require a return of 16 per cent from Dixie's stock. What price you would like to place on the stock of Dixie?(May/Jun-2018)

UNIT – IV

SHORT NOTES:

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|---------------------------|----------------|
| 1. Security market line | (Apr/May-2017) |
| 2. Capital market line | (May/Jun-2018) |
| 3. Portfolio risk | (May/Jun-2018) |
| 4. Minimum risk portfolio | (May/Jun-2018) |
| 5. Breadth of the market | (May/Jun-2018) |

ESSAY QUESTIONS:

1. Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets.(Apr/May-2017)
2. Based on the given information's calculate the Macauley's Duration and Modified Duration: Face Value of the bond is Rs. 1,000; Coupon rate 7%; Maturity 4 years; YTM 10%.(Apr/May-2017)

- What is the basic assumption behind the Arbitrage Pricing Theory (APT)? What are the advantages and disadvantages of the APT over the CAPM? **(May/June-2018)**

- Following data is available to you as a portfolio manager:

Stock	Rate of Return	Beta
Blue Star	32%	1.70
Wipro Limited	30%	1.40
Reliance Industries	25%	1.10
GE Shipping	22%	0.95
ICICI Bank	20%	1.05
ITC	14%	0.70
BSE Index	12%	1.00
Treasury Bills (Risk free return)	8%	0

Using Security Market Line identify over-valued and under-valued securities. **(May/Jun-2018)**

UNIT – V

SHORT NOTES:

- Jenson's differential index **(Apr/May-2017)**
- Net asset value **(Apr/May-2017)**
- Reward-to-volatility index **(May/Jun-2018)**

ESSAY QUESTIONS:

- What is the essential difference between the Sharpe and Treynor Indexes of portfolio performance? Which do you think is preferable? Why? **(Apr/May-2017)**
- Century Mutual Fund (CMF), Treasury Bills (T-Bills) and Sensex have had the following returns over the past five years:

<u>Year</u>	<u>CMF</u>	<u>T-Bills</u>	<u>Sensex</u>
1998	8.4%	6.0%	6.0%
1999	-6.0%	10.8%	-4.8%
2000	15.6%	8.4%	12.0%
2001	13.2%	7.2%	10.8%
2002	18.0%	9.6%	14.4%

Evaluate the performance of CMF using Jensen's differential index and comment on the result.(Apr/May-2017)

3. What are the key differences between closed-ended and open-ended schemes of a mutual fund? Explain the pros and cons of investing in a mutual fund.(May/June-2018)
4. Portfolios, M, N and O have the following statistics over the past several years:

Portfolio	Mean return	Standard Deviation	Beta
M	17 per cent	24 per cent	0.85
N	21 per cent	29 per cent	1.15
O	12 per cent	20 per cent	0.75

Over the time period, the mean return on T-bills was 9 per cent. For each portfolio compute the Sharpe and Treynor measures of investment performance and rank the portfolios using each measure.(May/Jun-2018)