2020

BUSINESS ADMINISTRATION — HONOURS

Paper : A 504 DSE-1B

(Investment Analysis and Portfolio Management)

Full Marks : 80

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Answer ***any five*** questions.

1. (a) Explain the concept of immunization of a bond portfolio.

(b) If the market price of a bond is ₹ 90; Years of maturity is 5 years; Coupon rate is 15% p.a. and issue price is ₹ 100, what is the yield to maturity? 8+8

2. (a) Explain the Dow Theory.

(b) How is it used to determine the direction of the stock market? 8+8

3. Draw and explain Security Market Line (SML). How it is differ from Capital Market Line (CML)? 8+8

4. (a) What are the limitations of dividend discount model?

(b) The following information are available for Abacus Limited.

Current dividend is ₹ 2.50, Discount rate is 10.5%, and Growth rate is 2%.

Calculate : (i) Present value of the stock

(ii) Is it overpriced if stock price is ₹ 35.00, ROE is 9% and EPS is ₹ 2.25? 6+10

5. Define Technical Analysis. What are the main assumptions of Technical Analysis? How is it differ from Fundamental Analysis? 5+6+5

6. (a) Discuss the significance of beta irrespective of the nature of a stock.

(b) From the following information, calculate the beta and comment on the nature of the stock :

Expected rate of return (%)	8	16	– 6	10	2
Market rate of return (%)	10	12	8	5	– 10

8+8

Please Turn Over

7. (a) 'Fundamental Analysis provides an analytical framework for rational investment decisions.'— Explain the statement.

(b) How is the Industry Analysis explained through Fundamental Analysis? 8+8

8. (a) Explain the Capital Asset Pricing Model (CAPM). What are its various assumptions?

(b) Assume that the risk-free rate of return is 6%; the market portfolio has an expected return of 13% and a standard deviation of return of 20%. Under the equilibrium condition as described by the CAPM, what would be the expected return for a portfolio having no unsystematic risk and 25% standard deviation of return? (3+4)+9

9. How will you determine optimum portfolio with the help of Markowitz Model? 16

10. The following particulars are available for Sunshine Ltd. and Sunrise Ltd. :

Particulars	Sunshine Ltd.	Sunrise Ltd.
Expected Return	30%	25%
Risk	15%	12%

An investor invests 80% of his funds in Sunshine Ltd. and 20% in Sunrise Ltd. You are required to calculate :

(a) Expected return from the portfolio.

(b) Risk of the portfolio under the conditions when correlation coefficient is either
–1 or 0 or 0.5 or 1. 4+(3+3+3+3)

11. (a) Explain any five types of mutual funds available in Indian mutual fund market.

(b) Explain the calculation of the NAV of the mutual fund with the help of a hypothetical example. 8+8

12. (a) What does Efficient Market Hypothesis (EMH) aim at?

(b) What are the different forms of efficiency?— Explain them. 6+10