D 51189 (Pages : 3) Name.....................................

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THIRD SEMESTER M.Com. (C.B.C.S.S.) (REGULAR/SUPPLEMENTARY) DEGREE EXAMINATION, NOVEMBER 2023

M.Com.

MCM 3E (F) 01—INVESTMENT MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum Weightage : 30

Part A

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

1. What is diversifiable risk ?
2. Write short note on Hedging strategies.
3. What is RSI in technical analysis ?
4. What are the different types of Portfolio ?
5. Expand and briefly explain SML.
6. What is mental accounting ?
7. What do you mean by Formula Plans ?

($4 \times 2 = 8$ weightage)

Part B

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

8. "The Elliot Wave Theory is based on the principle that action is followed by reaction." Elucidate.
9. Describe briefly the important investment avenues available to savers in India.
10. How many parameters must be estimated to analyse the risk-return profile of a 50-stock portfolio using (a) the original Markowitz model, and (b) the Sharpe single index model ?
11. A company paid dividends amounting to Rs. 0.75 per share during the last year. The company is expected to pay Rs. 2 per share during the next year. Investors forecast a dividend of Rs. 3 per share in the year after that. Thereafter, it is expected that dividends will grow at 10 percent per year into an indefinite future. Would you buy/sell the share if the current price of the share is Rs. 54 ? Investor's required rate of return is 15 percent.

Turn over

12. The return and the probability distribution of investment in two companies A and B is given below. Calculate expected return and standard deviation of both of these companies and comment on it.

Company A	
Return	Probability
6	0.10
7	0.25
8	0.30
9	0.25
10	0.10

Company B	
Return	Probability
4	0.10
6	0.20
8	0.40
10	0.20
12	0.10

13. An investor owns the share of a company whose current cash dividend is Rs. 3. The constant growth rate in dividend is 16% and the required rate of return is 20%. What is the value of the share of this company ?

14. The face value of a bond is Rs. 100 with a coupon rate of 9%. The current market price of the bond is Rs. 90. What is the current year ?

(4 × 3 = 12 weightage)

Part C

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

15. Details of two mutual funds and a market index are given below :

Fund	Return per cent	Standard deviation (per cent)	Beta
Silver	8	13	0.74
Gold	15	33	1.30
Market Index	10	22	1.0

Assuming the risk-free return as 5 percent, calculate the differential return for the two funds and also calculate net selectivity measure for gold fund using Fama's framework of performance.

16. Ram Kumar is considering the purchase of a bond currently selling for Rs. 8,785 (Face value Rs. 10,000). The bond has four years to maturity and the coupon rate of interest is 8%. The next interest payment is due one year from today. The approximate discount factor for investment of similar risk is 10 percent.

    (i) Calculate the intrinsic value of the bond. Based on this calculation, should Ram Kumar purchase the bond ?

    (ii) Calculate YTM of the bond.

17. "Portfolio evaluation provides a feedback mechanism for improving the entire portfolio management process." Explain.

18. "Bond prices vary inversely with changes in market interest rates." Explain with examples.

(2 × 5 = 10 weightage)