

**MBFMM 4001/GN 4001**

M.B.A. DEGREE EXAMINATION, JUNE 2014.

Fourth Semester

Finance

**Paper XVI – INVESTMENT AND PORTFOLIO  
MANAGEMENT**

Time : Three hours

Maximum : 100 marks

**PART A — (5 × 6 = 30 marks)**

Answer any FIVE out of the following.

1. Distinguish between investing, speculating and gambling?
2. What is bond? Is it same as a debenture?
3. What is the economic analysis? State its significance.
4. Explain the term Beta. How can beta be used for stock selection at the time of taking investment decisions?
5. What is an industry growth life cycle analysis?
6. Explain how the return and risk of securities and portfolios are measured

7. Explain the semi-strong form of efficiency?
8. What do you understand by portfolio management services?

PART B — (5 × 10 = 50 marks)

Answer any FIVE out of the following.

9. Discuss in detail about money market instruments.
10. Write a detailed note on the Efficient Market Theory.
11. What is Fundamental Analysis? Discuss the various considerations kept in mind while carrying out this analysis.
12. Explain the current trend of financial derivative market in India.
13. Discuss the various considerations kept in mind while carrying out technical analysis.
14. Distinguish between expected return, actual return and required return.
15. Explain the logic of the Arbitrage Pricing Theory (APT). How does it compare and contrast with the CAPM?
16. What is risk? How can risk of a security be calculated?

PART C — (1 × 20 = 20 marks)

Case Study – Compulsory.

17. WIPRO Ltd is a well-known company in the IT industry. Based on the monthly data for the last 4 years its beta appears equal to 1.75. During this period the company has deployed an average debt-equity ratio of around 40% in its capital structure. Looking at the challenges being posed by the new patent regime, the company has realized the need for making more investment in research and development activities. For meeting its finding requirement, the company is planning to raise additional funds from the markets. The CFO of the company is exploring the option of raising the debt level to 60%. However he is concerned that a raising additional debt may increase the risk proposition of the company, as measured by beta.

Calculate :

- (a) The beta level of WIPRO at 50%
- (b) The beta level of the final 60%
- (c) Comment upon the increase in the risk level.