MBFM 4001/GN 4001

M.B.A. DEGREE EXAMINATION,
DECEMBER 2014/JANUARY 2015.

Fourth Semester

Finance

INVESTMENT AND PORTFOLIO MANAGEMENT

(2012-13 Batch onwards)

Time : Three hours   Maximum : 100 marks

PART A — ($5 \times 6 = 30$ marks)

Answer any FIVE questions out of the following.

1. Why return is an important consideration for investment? Can it be measured?

2. What are mutual funds? Discuss the role of mutual funds.

3. How is a fundamental analysis useful to a prospective investor?

4. How is technical analysis different from fundamental analysis in investment management?

5. Discuss the Efficient market Hypothesis in each of its three forms.

6. What are the differences between single index model and CAPM model?

7. What are the limitations of Markowitz Portfolio risk estimation?

8. List the assumptions of capital asset pricing model.

PART B — ($5 \times 10 = 50$ marks)

Answer any FIVE out of the following.

9. What is the meaning of investment? Discuss the different channels or alternatives available to an investor for making investment.

10. Distinguish between investment, speculation and gambling. What is the usefulness of a sound investment plan?

11. What is the meaning of company analysis? What financial statements in your opinion are helpful in undertaking the company's prospects?

12. State the meaning, rationale, procedure and limitations of fundamental Analysis.

13. What is Random Walk Theory? What does it project in its weak form, semi strong form and strong form?

14. Write notes on :

    (a) Capital Market Theory,

    (b) Security Market Line,

    (c) Beta.

15. Discuss about Jensen's and Sharpe's performance Index model.

16. What are the basic assumptions of Arbitrage Pricing Theory? State its merits and demerits.

PART C — ($1 \times 20 = 20$ marks)

Compulsory

17. Case study

Successful Business Owner Ready to Retire

Bill and Laura have owned a successful small business for over 25 years. During that time, they had grown accustomed to the affluent lifestyle that their business afforded them. Upon reaching their 60's, they worried about not being able to enjoy the rewards of their many years of hard work. They were ready to sell the business, but were afraid of the loss of income and security that would come with the sale.

(a) Where did Bill Laura go wrong in their investment decisions?

(b) Analyze the above case and suggest the suitable remedies to overcome the problem.

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