

Roll No.																			
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PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations - December 2025	
Date: 05-01-2026	Time: 09:30am - 12:30pm

School: SOM-PG	Program: MBA	
Course Code: MBA3005	Course Name: Investment Management	
Semester: III	Max Marks: 100	Weightage: 50%

CO - Levels	C01	C02	C03	C04	C05
Marks	19	34	19	28	

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 3 marks.

10Q x 3M=30M

1.	Identify “investment” and state its objectives.	3 Marks	L3	C01								
2.	Differentiate between active and passive investment strategies.	3 Marks	L2	C01								
3.	A ₹1,000 bond carrying a coupon rate of 8% is priced at ₹920. Find out the current yield of the bond.	3 Marks	L3	C03								
4.	The risk-free rate of return is 5%. If the market return is 13% and the Beta of the Security is 1.2, what the required return of the Security as per the CAPM Model.	3 Marks	L3	C02								
5.	Calculate the Expected Return of the Security from the following information:	3 Marks	L3	C02								
	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <th style="padding: 5px;">Probability</th> <th style="padding: 5px;">Returns (%)</th> </tr> <tr> <td style="text-align: center; padding: 5px;">0.2</td> <td style="text-align: center; padding: 5px;">8</td> </tr> <tr> <td style="text-align: center; padding: 5px;">0.5</td> <td style="text-align: center; padding: 5px;">12</td> </tr> <tr> <td style="text-align: center; padding: 5px;">0.3</td> <td style="text-align: center; padding: 5px;">18</td> </tr> </table>	Probability	Returns (%)	0.2	8	0.5	12	0.3	18			
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6.	Using the Approximate Method formula, calculate the Yield to Maturity (YTM) of a 4-year, ₹1,000 bond carrying a coupon rate of 10%, and priced at ₹1,050.	3 Marks	L3	C03								

7.	Applying the Dividend Discount Model (DDM), calculate the value of the stock, where Next year Dividend (D_1) is ₹5, Cost of equity (K_e) is 14%, and the growth rate of dividends (g) is 6%.	3 Marks	L3	C03									
8.	Calculate the Expected Portfolio return from the following information:	3 Marks	L3	C02									
<table border="1"> <thead> <tr> <th>Security</th> <th>Average Return</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>10%</td> <td>0.5</td> </tr> <tr> <td>B</td> <td>16%</td> <td>0.5</td> </tr> </tbody> </table>		Security	Average Return	Weight	A	10%	0.5	B	16%	0.5			
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9.	Select any three alternative investment avenues and state their importance.	3 Marks	L2	C01									
10.	Explain the salient features of the Moving Average & RSI methods of Technical Analysis.	3 Marks	L2	C04									

Part B

Answer the Questions.

Total Marks 40M

11.	a.	An investor holds two securities, A and B. The expected returns and standard deviations are:	10 Marks	L3	C02																
		<table border="1"> <thead> <tr> <th>Security</th> <th>E(R%)</th> <th>σ (%)</th> <th>Weight (w)</th> <th>Correlation (ρ_{AB})</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>14</td> <td>12</td> <td>0.55</td> <td rowspan="2">0.25</td> </tr> <tr> <td>B</td> <td>11</td> <td>9</td> <td>0.45</td> </tr> </tbody> </table>	Security	E(R%)	σ (%)	Weight (w)	Correlation (ρ_{AB})	A	14	12	0.55	0.25	B	11	9	0.45					
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		Determine: (i) The expected return of the portfolio. (ii) The standard deviation (risk) of the portfolio.																			
Or																					
12.	a.	Three securities form a portfolio as given below:	10 Marks	L3	C02																
		<table border="1"> <thead> <tr> <th>Security</th> <th>E(R%)</th> <th>β</th> <th>Weight (w)</th> </tr> </thead> <tbody> <tr> <td>X</td> <td>9</td> <td>0.70</td> <td>0.40</td> </tr> <tr> <td>Y</td> <td>13</td> <td>1.10</td> <td>0.35</td> </tr> <tr> <td>Z</td> <td>20</td> <td>1.60</td> <td>0.25</td> </tr> </tbody> </table>	Security	E(R%)	β	Weight (w)	X	9	0.70	0.40	Y	13	1.10	0.35	Z	20	1.60	0.25			
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		(i) Compute the expected return and portfolio beta (β_p). (ii) If the risk-free rate is 5% and the market return is 12%, find the required return of the portfolio using the CAPM.																			
13.	a.	A company has issued a ₹1,000 face-value bond carrying a coupon rate of 9% per annum, payable annually. The bond will mature in 6 years and be redeemed at par. If the investor's required rate of return (discount rate) is 8%, calculate the present value (price) of the bond.	10 Marks	L3	C03																

		Further, determine how the bond's value will change if the discount rate rises to 10%. (Given, $PVAF_{6,8\%} = 4.623$; $PVF_{6,8\%} = 0.630$ and $PVAF_{6,10\%} = 4.355$; $PVF_{6,10\%} = 0.564$)			
Or					
14.	a.	A company has just paid a dividend of ₹5 per share. The dividend is expected to grow at a constant rate of 8% per annum, and the investor's required rate of return (discount rate) is 12% per annum. Calculate: (i) The expected dividend for the next year (D_1). (ii) The intrinsic value (P_0) of the share using the Gordon Growth Model (DDM). (iii) Briefly interpret the relationship between the growth rate and share price. Given, $PVF_{1,12\%} = 0.893$; $PVF_{2,12\%} = 0.797$; $PVF_{3,12\%} = 0.712$	10 Marks	L	CO3
15.	a.	Priya and Karan, two friends, are exploring ways to invest their savings. Priya prefers mutual funds and bank deposits, while Karan is drawn toward real estate and hedge funds. Analyze how traditional investment avenues differ from alternative investments and explain how each reflects different investor attributes such as risk tolerance and liquidity preference.	10 Marks	L2	CO1
Or					
16.	a.	An online wealth platform offers robo-advisory services using Artificial Intelligence (AI) and Big Data to recommend portfolios. Explain how FinTech innovations like robo-advisors and digital platforms are changing investment management, and discuss two advantages and two limitations of relying on technology for investment decisions.	10 Marks	L	CO1
17.	a.	The following are the closing prices of a company's stock over ten consecutive trading days: 112, 114, 113, 111, 115, 116, 118, 117, 119, 120. (i) Compute the 5-day and 10-day Moving Averages (MA) for the given price series. (ii) Identify the trend signal indicated by the short-term (5-day) and long-term (10-day) averages — i.e., whether it suggests a buy, sell, or hold position. (iii) Explain briefly how technical analysts use moving averages to confirm or predict market trends.	10 Marks	L3	CO4
Or					
18.	a.	In fundamental analysis, investors examine economic, industry, and company-level factors before making investment decisions. (i) Explain the role of industry analysis in assessing a firm's growth potential and risk exposure.	10 Marks	L2	CO4

	(ii) Discuss how company analysis complements industry analysis to determine a stock's intrinsic value. (iii) Illustrate with a suitable example how industry conditions (such as regulatory changes or technology adoption) can impact an individual company's financial performance.			
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Part C

Answer all the Questions. Each question carries 15marks

2Q x 15M=30M

19.	a.	Using the information provided for the three securities, calculate the expected return, portfolio risk, and portfolio beta for the given portfolio. Show all necessary steps and formulas used in the computation. Finally, analyse and interpret the results by discussing the portfolio's overall risk-return characteristics and its sensitivity to market movements.	15 Marks	L3	CO2																							
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20.	a.	Case Study – Ms Aditi (₹12 lakh Balanced Portfolio)	15 Marks	L4	CO4																													
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Asset</th> <th style="text-align: center;">E(R)%</th> <th style="text-align: center;">Risk σ%</th> <th style="text-align: center;">β</th> <th style="text-align: center;">Min Investment</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Government Bond</td> <td style="text-align: center;">6</td> <td style="text-align: center;">2</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">₹1,00,000</td> </tr> <tr> <td style="text-align: center;">Blue-Chip Stock</td> <td style="text-align: center;">15</td> <td style="text-align: center;">10</td> <td style="text-align: center;">1.1</td> <td style="text-align: center;">₹3,00,000</td> </tr> <tr> <td style="text-align: center;">Hybrid Fund</td> <td style="text-align: center;">11</td> <td style="text-align: center;">6</td> <td style="text-align: center;">0.8</td> <td style="text-align: center;">₹2,00,000</td> </tr> <tr> <td style="text-align: center;">Gold ETF</td> <td style="text-align: center;">8</td> <td style="text-align: center;">4</td> <td style="text-align: center;">0.5</td> <td style="text-align: center;">₹1,00,000</td> </tr> <tr> <td style="text-align: center;">REIT</td> <td style="text-align: center;">13</td> <td style="text-align: center;">9</td> <td style="text-align: center;">1.0</td> <td style="text-align: center;">₹3,00,000</td> </tr> </tbody> </table> <p>Tasks: i) Allocate ₹12,00,000 across assets (respect minimums). ii) Compute $E(R_p)$ & σ_p (state assumptions for covariances). iii) Justify allocation for a balanced risk profile. iv) Recommend changes if interest rates rise by 1%.</p> <hr style="width: 50%; margin-left: 0;"/>	Asset	E(R)%	Risk σ %	β	Min Investment	Government Bond	6	2	0.2	₹1,00,000	Blue-Chip Stock	15	10	1.1	₹3,00,000	Hybrid Fund	11	6	0.8	₹2,00,000	Gold ETF	8	4	0.5	₹1,00,000	REIT	13	9	1.0	₹3,00,000		
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