ROLL NO:

PRESIDENCY UNIVERSITY, BENGALURU

SCHOOL OF MANAGEMENT

SET A

MID TERM EXAMINATION

Odd Semester: 2018-19
Course Code: FIN 301
Course Name: Investment Management
Branch & Sem: MBA III Semester

Date: 02 November 2018
Time: 2 Hours
Max Marks: 40
Weightage: 20%

Instructions:

*(i) **Use Non Programmable Calculators***

Part A

Answer **all** the Questions. **Each** question carries **two** marks. (6x2=12)

1. What is Inflation Risk? Which type of investments are affected by Inflation Risk?
2. What is R^2 ? How do you interpret an R^2 of 0.85 of a Equity Mutual Fund?
3. What is meant by a Put Option in a Bond? When do you think it is favorable to exercise such Put Option?
4. What is meant by CV (Coefficient of Variation) of an Investment?
5. What are Investment Constraints? Give four examples.
6. Differentiate between Effective Rate of Return and Real Rate of Return.

Part B

Answer **all** the Questions. **Each** question carries **four** marks. (3x4=12)

7. Explain the steps involved in the Investment Process.
8. The Share Price of Tata Steel for a 5 year period is given below:

Year	Closing Rs
2012	428
2013	424
2014	400
2015	263
2016	391
2017	732

Considering the above, compute:

a) CAGR of Returns for a period of 5 Years from 2013 to 2017

b) Real Return of Tata Steel for the 5 Year period assuming an average Inflation of 5% pa

9. Mr Christopher provides the following information of his portfolio for the year 2017:

Asset	Amount Invested Rs	Returns %	Risk %	Beta
RIL	500000	20%	25%	1.65
SBI	800000	12%	16%	1.40
TISCO	1000000	22%	28%	1.20

Correlation Matrix

Asset	RIL	SBI	TISCO
RIL	–	0.95	0.85
SBI	0.95	–	0.60
TISCO	0.85	0.60	–

From the above, compute the following:

a) Portfolio Return

b) Portfolio Risk

c) Portfolio Beta

Part C

Answer the Question. Question carries **eight** marks. (2x8=16)

10. You are considering investing in a portfolio, the historical information of which is given below along with the market :

	Historical Returns			
Year	ICICI Dynamic Fund	IDFC Premier Equity Fund	SBI Contra Fund	NSE Market Index
2014	18%	22%	20%	14%
2015	24%	26%	18%	8%
2016	-6%	-14%	-10%	2%
2017	10%	12%	8%	10%
2018	14%	20%	22%	12%

Using the above information rank the funds using Sharpe Ratio, Treynor Ratio and Jensen's Alpha. Also state which of the funds have outperformed the market. Assume that the average risk free rate of return to be 7%pa.

11. An investor is planning to invest in Bonds. He has selected two bonds and now seeks your advice as to which bond should he invest in. The details of the bond are given below:

Bond	Features
Coupon Bond	Current Price - Rs 1022 Face Vale - Rs 1000 Coupon Rate - 7% pa Coupon Payment – Semi Annual Call Option – After 4 Years Maturity – 8 Years Call Penalty – 1 Coupon
Non Coupon Bond	Current Price – Rs 1150 Principal – Rs 1000 Interest Rate – 8% pa Compounding – Quarterly Call Option – After 4 Years Maturity – 8 Years Call Penalty - Nil

Using YTM and YTC of the bonds, advice the investor ignoring other risks involved.

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Branch & Sem: MBA III Semester **Weightage**: 20%

Instructions:

(i) ***Use Non Programmable Calculators***

Part A

Answer **all** the Questions. **Each** question carries **two** marks. (6x2=12)

1. What is Liquidity Risk? Which type of investments are affected by Liquidity Risk?
2. What is the importance of Correlation between investments? ? Explain.
3. What is meant by a Call Option in a Bond? When do you think such an option is exercised?
4. What is Beta of a stock? Explain.
5. Differentiate between an Asset and Investment.
6. How is Inflation related to Investment returns? Explain.

Part B

Answer **all** the Questions. **Each** question carries **four** marks. (3x4=12)

7. What is meant by Investment Risk? Explain the Classification and Types of Investment Risks.
8. The details of a Stock Portfolio pertaining to the Year 2017 is given below:

Asset	Opening Value Rs	Closing Value Rs	Dividend Received Rs
Wipro	520000	640000	40000
TCS	460000	580000	60000
SBI	320000	340000	20000
Indian Hotels	280000	320000	30000

Using the above information, compute the Returns of this Stock Portfolio for the Year 2017.

9. Mr Charles wants to create a Two Stock Portfolio of either RIL and SBI or RIL and TISCO. The details of the stocks for year 2017 is as follows:

Asset	Returns %	Risk %
RIL	20%	25%
SBI	12%	16%
TISCO	22%	28%

Correlation Matrix

Asset	RIL	SBI	TISCO
RIL	_	0.95	0.85
SBI	0.95	_	0.60
TISCO	0.85	0.60	_

Using the above information, suggest Mr Charles the Portfolio that needs to create with reasons.

Part C

Answer the Question. Question carries **eight** marks. (2x8=16)

10. From the below given information, find out whether the Assets are Underpriced or Overpriced based on CAPM.

Asset	Current Price Rs.	Expected End of the Year Price Rs.	Std. Deviation	Correlation with Market
A	240	280	24%	0.55
B	60	70	30%	0.85
C	300	345	40%	0.75
D	1200	1240	20%	0.45
Market	6000	6600	15%	-

Assume that Risk Free Rate of Return is 7%pa.
Hint: Beta = (Std Dev of Stock/Std Dev of Market) x Correlation between Stock & Market

11. An investor is planning to invest in Bonds. He has selected two bonds and now seeks your advice as to which bond should he invest in. The details of the bond are given below:

Bond	Features
Coupon Bond	Current Price - Rs 964 Face Vale - Rs 1000 Coupon Rate - 8% pa Coupon Payment – Semi Annual Call Option – After 5 Years Maturity – 8 Years Call Penalty – 1 Coupon
Non Coupon Bond	Current Price – Rs 1050 Principal – Rs 1000 Interest Rate – 8% pa Compounding – Quarterly Call Option – After 5 Years Maturity – 8 Years Call Penalty – Rs 50/-

Using YTM and YTC of the bonds, advice the investor ignoring other risks involved.

Roll No.												

GAIN MORE KNOWLEDGE
REACH GREATER HEIGHTS

PRESIDENCY UNIVERSITY
BENGALURU

SCHOOL OF MANAGEMENT

SET A

END TERM FINAL EXAMINATION

Odd Semester: 2018-19

Date: 12 January 2019

Course Code: FIN301

Time: 3 Hours

Course Name: Investment Management

Max Marks: 80

Programme & Sem: MBA & III Sem

Weightage: 40%

Instructions:

(i) ***Answer all the questions***

Part A

Answer **all** the Questions. **Each** question carries **five** marks. (4Qx5M=20)

1. What is PE Ratio? Explain how it is used in valuation.
2. What is Yield Curve? How is it used in Bond Portfolio Management?
3. What is Support and Resistance Levels? What is its significance in Technical Analysis?
4. What is Top Down and Bottom Up Approach of Fundamental Analysis?

Part B

Answer **all** the Questions. **Each** question carries **ten** marks. (3Qx10M=30)

5. A Govt. of India 7.5%, 10 year Non Coupon Bond with a Principal Value of Rs 1000, has a remaining term to maturity of 4 years. It is priced today at Rs 1640. The current yield on similar bonds is 8.5% pa. Using this information find if this bond is Undervalued or Overvalued for the Current price.

6. Compute the intrinsic value of a Share from the given information:

   - Expected Market Returns is 14% pa
   - Risk Free Rate in the Economy is 7% pa
   - Beta of the Stock is 1.45
   - Earning per Share for previous year is Rs 30
   - Company Retention Ratio is 60%
   - ROE of the Company is 25%

7. Draw and explain any three Trend Reversal Technical Chart Patterns.

Part C

Answer **both** the Questions. **Each** question carries **fifteen** marks. (2Qx15M=30)

8. You are an Analyst trying to value the Shares of 'CM Forging Co. Ltd.' using the FCFF Model. The information made available to you is as follows:
   - Free Cash Flow of the Firm for the Previous Year is Rs 2200 crs
   - Free Cash Flow to Equity for the Previous Year is Rs 1400 Crs
   - Before Tax Cost of Debt is 10% pa
   - Cost of Equity is 16%
   - Company Capital Structure has 40% debt
   - Company Tax Rate is 35%
   - FCFF is expected to grow at 5% perpetually
   - Debt Outstanding for the Company is Rs 4000 Crs
   - Number of Equity Shares Outstanding is 20Crs

   Using the FCFF model find the Value per Share.

9. A Corporate Coupon Bond has the following variables:
   - Face Value Rs 1000
   - Coupon Rate 9% pa
   - Current Price is Rs 945
   - Time to Maturity 5 Years

   From the given information find

   a) Duration and Modified Duration of the Bond (10 M)
   b) Determine what will be the price of the Bond if interest rates go down by 25 basis points using Modified Duration. (2.5 M)
   c) Suggest with reasons if this bond can purchased by an investor with an investment time horizon of 6 years. (2.5 M)

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SCHOOL OF MANAGEMENT   SET B

END TERM FINAL EXAMINATION

Odd Semester: 2018-19 — **Date**: 12 January 2019

Course Code: FIN301 — **Time**: 3 Hours

Course Name: Investment Management — **Max Marks**: 80

Programme & Sem: MBA & III Sem — **Weightage**: 40%

Instructions:

(i) ***Answer all the questions***

Part A

Answer **all** the Questions. **Each** question carries **five** marks. (4Qx5M=20)

1. Explain the relationship between Credit Risk, Credit Rating and Bond Yields.
2. What is Growth and Value Investing? Explain.
3. Explain what indications, Technical Analyst's derive from change in Volume and Price of a Stock.
4. What is Immunization Strategy in Bond Portfolio Management?

Part B

Answer **all** the Questions. **Each** question carries **ten** marks. (3Qx10M=30)

5. M/s Coal India Ltd. issued a 8.5%pa (half yearly compounding), 8 year Non Coupon Bond with a Principal Value of Rs 5000. This bond has a remaining term to maturity of 3 years. This bond is currently trading today at Rs 9640. If the investor is expecting to earn a return of 7.5% pa, advice the investor the fair price at which this bond can be bought.

6. Compute the intrinsic value of a Share from the given information using Variable Growth Dividend Discount Model:

   - Expected Market Returns is 12% pa
   - Risk Free Rate in the Economy is 7% pa
   - Beta of the Stock is 1.25
   - Earnings per Share for previous year is Rs 30
   - Retention Ratio is 50%
   - Growth Rate of dividends for next 3 Years is 5%, subsequent two years is 3% and thereafter 0% perpetually.

7. Fundamental and Technical Analysis is considered to be two sides of the same coin. Support this statement with a detailed explanation.

Part C

Answer **both** the Questions. **Each** question carries **fifteen** marks. (2Qx15M=30)

8. You are an Analyst trying to value the Shares of 'COM SPACE Ltd.' using the FCFE Model. The information made available to you is as follows:
   - Sales Per Share for the Previous Year is Rs 80
   - Growth rate of sales is expected to be 10% for the next 5 years and 3% thereafter perpetually
   - Net Profit Margin is 25%
   - Investment in Fixed Capital after Depreciation is 25% of Sales increase
   - Investment in Working Capital is 10% of Sales increase
   - Debt Financing would be 50% of Total Additional Capital Investment
   - Company Beta is 1.50
   - Expected Returns from Market is 14%
   - Risk Free Rate is 7% pa

From the above information compute the value per share using the FCFE model.

9. A Corporate Coupon Bond has the following variables:
   - Face Value Rs 1000
   - Coupon Rate 9% pa
   - Current Price is Rs 1045
   - Time to Maturity 5 Years

   From the given information find

   a) Duration and Modified Duration of the Bond
   b) Determine what will be the price of the Bond if interest rates go down by 25 basis points using the Modified Duration
   c) Suggest with reasons, if this bond can purchased by an investor with an investment time horizon of 6 years.