portfolio are measured.

6. Explain how the return and risk of securities and

5. What is an industry growth life cycle analysis?

decisions?

4. Explain the term Beta. How can Beta be used for

3. What is economic analysis? State its

2. What is bond? Is it same as a debenture?

1. Distinguish between investing, speculating and

Answer any FIVE out of the following.

PART A — (5 x 6 = 30 marks)

Maximum: 100 marks

Time: Three hours

MANAGEMENT

PAPER X11 - INVESTMENT AND PORTFOLIO

Finance

Fourth Semester

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

MBFM 4001/CN 4001
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.


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 is 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.