TYBMS VI sem

IAPM

QP Code : 21830

(2½ Hours) [Total Marks : 75

N. B. : (1) All questions are **compulsory**.
(2) Workings form part of your answer.
(3) Use of simple calculator is permitted.

1. Attempt any **two** :– 15
   (a) What is Portfolio Management? State the objectives of Portfolio Management.
   (b) Define Book Building. Explain the procedure involved in book building.
   (c) Mr. Bantu wants to invest his money in a mutual fund, for this he has collected information about three mutual funds. Fund A, Fund B, Fund C and the market. The average expected returns for Fund A, Fund B, Fund C and the market was 25%, 27%, 23% and 20% respectively. The standard deviation of various funds and market was 12%, 15%, 9% and 13% respectively. Beta of various securities was 1.27, 1.30, 1.15 and 1.00 respectively. Recommend which portfolio should be selected using Sharpe's, Treynor's and Jensen's measure of portfolio evaluation. Assume risk free rate to be 7 .5%.

2. Attempt any **two** : 15
   (a) Mandar Co. Ltd. is considering to invest in a project requiring a capital outflow ₹ 3,50,000/-. Forecast for annual income after tax is as follows :

Year	1	2	3	4	5
PAT ₹	75,000	90,000	95,000	50,000	70,000
Depreciation is charged on SLM basis over the life of the project					

Life of an asset is 5 years with no scrap value. Evaluate the project on the basis of Net Present value taking 13% discounting factor and advice whether company should invest in the project or not.

   (b) Amol want to invest @ 9% p.a. compound interest, such amount as will amount to ₹ 60,000/- at the end of three years. How much should he invest?

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(c) Four equal annual payments of ₹ 5,000/- are made into a deposit account that pays 8°/o interest per year. What is the future value of this annuity at the end of 4 years?

3. Attempt any two : **15**

(a) Salman Khan has a portfolio of two securities with 40% investments in E and 60% investments in F. The characteristics of return under three different scenarios with different probability for the two securities and the portfolio are given below :

		Returns %		
Scenario	Probability	E	F	Portfolio
Boom	0.15	40	10	22
Normal	0.50	20	20	20
Recession	0.35	10	40	28

Calculate the expected return and standard deviation of securities.

(b) XYZ Ltd. paid the following dividend per share and had the following market price per share during the period 2004-2007

Year	Dividend per share	Market price per share
2004	1.53	31.25
2005	1.53	20.75
2006	1.53	30.88
2007	2.00	67.00

Calculate the annual rate of return using Holding period Return.

(c) Write a short note on solvency ratios.

4. Attempt any **two** : **15**

(a) 'P' ltd., 'Q' ltd. and 'R' ltd are three different companies, each of them paid dividend of ₹ 8/- per share. Find out the intrinsic value of the share of all the three companies if growth rate is same for all of them at 7% and the required rate of return is 14%, 16% and 18% for 'P' ltd. 'Q' ltd. and 'R' ltd respectively.

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(b) You are considering investment in one of the following bond:

	Coupon Rate	Maturity	Price ₹ 100 par value
Bond A	11%	10 years	₹ 75/-
Bond B	12%	7 years	₹ 68/-

Assume Bonds are redeemed at par. Recommend which bond should be purchased.

(c) Explain the charting techniques used in Technical analysis.

5. You are a Portfolio Management Consultant. Mr. Rao, an Academician, wish to invest ₹ 20,00,000/-. Suggest him with various investment avenues which will give stable returns with minimum risk. Present to him any five investment schemes mentioning various merits & demerits of each scheme. 15

4
Secn
E 40 F 60

mutual fund

	AR	Std.	Beta
A	25	12	1.27
B	27	15	1.30
C	23	9	1.15
mk	20	13	1.00

Risk free Rate 7.5%