

6436

8

Times Interest Earned	0.9	4.375	4.45	4.65
Equity Multiplier	1.75	1.85	1.90	1.88

(10)

(500)

[This question paper contains 8 printed pages.]

Your Roll No.....

Sr. No. of Question Paper : 6436

Unique Paper Code : 61017926

Name of the Paper : Investment Analysis and Portfolio Management

Name of the Course : **Bachelor of Management Studies (BMS), 2022 (LOCF)**

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. All the questions carry equal marks.
3. Use of Scientific Calculator is allowed.
4. Any assumptions made by you when attempting the question must be clearly stated.
5. Attempt all questions.

P.T.O.

1. (a) GAIL Ltd. is currently paying a dividend of Rs. 12 per share. The dividend is expected to grow at a rate of 20% p.a. for three years, then at a rate of 15% p.a. for two years and at 6% p.a. thereafter. What price should be paid by investors for the share today and after five years if the market capitalization rate is 10%? (5)
- (b) Explain the vital factors considered in economic analysis by the large institutional investors in financial markets. (5)
- (c) "Technical analysis is the study of past price and volume data to forecast future price movements." Describe any two examples of divergence that give buy/sell signals in technical analysis. (5)
2. (a) Explain the Capital Asset Pricing Model used in the valuation of securities in financial markets. (5)
- (b) How will you rate the performance of the following mutual funds on the basis of Treynor Ratio and Jensen's measure. (5)

- (b) Explain the Du Pont Analysis. Based on the financial data provided for XYZ firm, you are asked to conduct Du Pont Analysis of the firm and comment on the firm's Return on Equity. Be as complete as possible given the following information.

Ratio	2021	2020	2019	2021- Industry Average
Long-term debt	0.45	0.40	0.35	0.35
Inventory Turnover	62.65	42.42	32.25	53.25
Depreciation/Total Assets	0.25	0.014	0.018	0.015
Days' sales in receivables	113	98	94	130.25
Debt to Equity	0.75	0.85	0.90	0.88
Profit Margin	0.082	0.07	0.06	0.075
Total Asset Turnover	0.54	0.65	0.70	0.40
Quick Ratio	1.028	1.03	1.029	1.031
Current Ratio	1.33	1.21	1.15	1.25

Stock	A	B	C
Proportion of Funds	20%	35%	45%
Alpha	3	2	-1.5
Beta	1.2	1	1.1
Unsystematic Risk (Variance)	15%	5%	8%

Assume that the return on market index is expected to be 12% and its variance is 8%. Calculate portfolio beta, portfolio return and portfolio risk using the market model (5)

(b) "Technically, beta is not a measure of systematic risk, rather it is measure of the relative sensitivity of an assets rate of return to market." In the light of above statement, explain the concept and relevance of beta in portfolio management. (5)

(c) Discuss the portfolio management strategies on the basis of changing investment goals over an individual's lifetime. (5)

5. (a) Explain the following statement with suitable example "Market interest rates and debenture prices are inversely related." (5)

Portfolio	Mirae Asset Large Cap Fund	Parag Parikh Long Term Equity Fund	Axis Midcap Fund	S&P BSE 100	Treasury Bills
Return (%)	13	16	18	20	8
Standard Deviation (%)	8	10	12	14	
Beta	0.6	1.5	1.9	1	

(c) The market return is 16% and risk free rate 6%. Which of the following securities is over/under priced according to CAPM?

Security	Beta	Expected Return
A	1.1	21%
B	0.9	16%
C	1.6	19%

(5)

3 (a) An investor considers Rs 1000 par value bond bearing coupon of 11% with 5 years maturity period. The required YTM is 15%. The bond is currently sold at Rs 870. Should he buy the bond?

(5)

- (b) "SWOT analysis helps in determining the attractiveness of an industry for the perspective investors." Explain the SWOT analysis in detail with the help of any industry of your choice?(5)
- (c) Mr Aman wanted to take your advice regarding investment in the bond that is callable bond having face value of Rs 1,000 and that pays a semi annual coupon of 10%. The bond is currently priced at Rs1,175 and has the option to be called at Rs 1,100 five years from now. Calculate Yield to Call of the bond? (5)

OR

3. (a) "Though strong form of EMH states that stock prices fully reflect all the information about business, yet it is not desirable by many stakeholders." Explain EMH and its anomalies in the light of above statement. (5)
- (b) A risky portfolio is made up of two stocks as follows:

	Weightage	Expected Return	Variance
P	65%	19%	0.01
Q	35%	12%	0.0081

Correlation between P and Q = 1, Risk-free rate of return = 5%

Mr X wants a portfolio with 14% return. How much should he invest in the risk-free asset and the risky portfolio. What is the risk of this new portfolio? (5)

- (c) A mutual fund has assets of Rs. 5,81,00,000 and liabilities of Rs. 71,00,000. If the number of shares is 58,01, 305 what is the NAV? Calculate the purchase price and sale price of units bought/sold if entry and exit load are charged at 1%? (5)

4. (a) An investor is considering the following portfolio to hold: