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THIRD SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2024

(CBCSS)

M.Com.

MCM 3E (F) 01—INVESTMENT MANAGEMENT

(2019 Admission onwards)

ne : Three Hours

Maximum : 30 Weightage

Answer should be written in English only.

Section A

Answer any **four** *questions.*
Each question carries 2 weightage.

1. What is Unsystematic Risk ?
2. What is meant by ethical investing ?
3. What are Bond immunization strategies ?
4. What is Fama's Decomposition Index ?
5. Distinguish between Individual risk and Interactive risks.
6. What is Capital Market Line (CML) ?
7. Write the nature of Systematic risk.

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each question carries 3 weightage.

8. The market P/E is 10 and earnings (dividend) growth rate is 9 %. If individual stocks were to grow at 12 %, normal earnings at the end of financial year were 4, projected earnings volatility was 10 % and projected dividend pay out ratio was 15 %, determine the value of the stock.

Turn over

9. Mr. RKV's portfolio consists of six securities. The individual returns of each of the
portfolio are given below :

Security	Proportion of Investment in the Portfolio	Return
Wipro	10 %	18 %
Latham	25 %	12 %
SBI	8 %	22 %
ITC	30 %	15 %
RNL	12 %	6 %
DLF	15 %	8 %

Calculate the weighted average of return of the securities consisting the portfolio.

10. Dabba Ltd. paid a dividend of 2.00. per share for the year ending March 31, 1991. A
growth of 10 % income has been forecast for an indefinite future period. Investors required
return has been estimated to 15 %. You want to buy the share at a market price quoted
1,1991 in the stock market at 60.00. What would be your decision ?

11. Assume that Zee Ltd paid a dividend of 1.80 per share over the past year and the forecast
that would grow at 5 % per annum forever. The required rate of return is 11 % and the
market price is 40 per share. Using P/E approach, determine if the Zee share is fairly priced
may be taken as 2.70.

12. Wipro provides you the following informations. Calculate the expected rate of return of a portfolio
: Expected market return 15 %. Risk-free rate of return 9 %. Standard deviation of an asset
Market Standard deviation 2.0 %. Correlation co-efficient of portfolio with market 0.9.

13. Which are the different equity valuation models ?

14. Explain single index model.

(4 x 3 = 12 weightage)

Section C

Answer any two questions.
Each question carries 5 weightage.

15. The rates of return on the security of Company Wipro and market portfolio for 10 periods are given below :

Period	Return of Security Wipro (%) (x)	Return on market portfolio (%) (y)
1	20	22
2	22	20
3	25	18
4	21	16
5	18	20
6	– 5	8
7	17	– 6
8	19	5
9	– 7	6
10	20	11

1 What is the beta of Security Wipro ?

2 What is the characteristic line for Security Wipro ?

16. Mr Fool Vijay provides you the following information. You are required to calculate the optimum portfolio in choosing among the following securities and assuming the risk-free return is 8 % and variance in the market index = 12 %.

Security No. i	Expected Return $\widehat{R}_i$	Beta β_{im}	Security's unsystematic risk σ^2_{ei}
SBI	20	1.0	40
RBL	18	2.5	35
ITC	12	1.5	30

Turn over

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Security No. i	Expected Return $\hat{R}_i$	Beta β_{im}	Security's unsystematic risk σ^2_{ei}
IDBI	16	1.0	35
ICICI	14	0.8	25
MRPL	10	1.2	15
CNBC	17	1.6	30
NDTV	15	2.0	35

17. Explain Random Walk Theory.

18. Explain the nature and reasons for portfolio revision. What are its strategies ?

(2 × 5 = 10 weightage)