SA – 825

VI Semester B.B.M. Examination, April/May 2015
(Semester Scheme)
(2014-15 and Onwards) (Fresh)
BUSINESS MANAGEMENT
Paper – 6.5 : Elective Paper – III : Investment and Portfolio Management

Time : 3 Hours Max. Marks : 100

***Instruction** : Answers should be written in **English** only.*

SECTION – A

1. Answer **any eight** questions. **Each** question carries **two** marks. **(8×2=16)**

   a) What is the meaning of Investment ?

   b) What is an Arbitrage ?

   c) How is Earning Per Share calculated ?

   d) State two assumptions of technical analysis.

   e) What is Alpha coefficient ?

   f) What is efficient portfolio ?

   g) What is Single-index Model ?

   h) How do you calculate Treynor's measure ?

   i) What is GDR ?

   j) Expand NASDAQ and BSE.

SECTION – B

Answer **any three** questions. **Each** question carries **eight** marks. **(3×8=24)**

2. Distinguish between investment and speculation.

3. Explain briefly fundamental analysis.

P.T.O.

4. What is APT ? What are its assumptions ?

5. Pearl and Diamond are two mutual funds. Pearl has a mean success of 0.15 and Diamond has 0.22. The Diamond has double the beta of Pearl fund's 1.5. The standard deviations of Pearl and Diamond funds are 15 % and 21.43 %. The mean return of market index is 12 % and its standard deviation is 7. The risk free rate is 8 %

   a) Compute the Jensen Index for each fund and

   b) Compute the Treynor Index for each funds.

SECTION – C

Answer question no. **10** and **any 3** of the remaining. **Each** question carries **15** marks. **(4×15=60)**

6. Explain in detail the Dow theory and how is it used to determine the direction of stock market.

7. What is FCCB ? Explain its features, benefits to companies and investors.

8. The risk and return of two projects is given below. The correlation coefficient is + 1.0. Mr. Ram plans to invest 70 % of his funds in Project 'A' and 30 % in Project 'B'. Find out risk and return. Project 'A' has an expected return 12 % and risk of 3 % where as Project 'B' has a return of 20 % and risk of 7 %.

9. The return on two securities 'A' and 'B' are given below. Select the security according to risk and return.

Probability	**Return**	
	A	**B**
0.50	5	1
0.40	4	3
0.10	0	3

10. Distinguish between risk and uncertainty. Explain the types of risk.

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