SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)
MBA II Year I Semester Supplementary Examinations Feb-2021
INVESTMENT ANALYSIS & PORTFOLIO MANAGEMENT

Time: **3 hours**   Max. Marks: **60**

SECTION – A
(Answer all Five Units **5 x 10 = 50** Marks)

UNIT-I

1   Discuss the key steps involved in the portfolio management process.   **10M**

OR

2   a   Explain the trading system and settlement mechanism in stock exchange.   **5M**
    b   Describe the depositary system in India.   **5M**

UNIT-II

3   "Fundamental analysis provides an analytical framework for rational investment   **10M**
    decision making." Justify.

OR

4   a   What is Technical analysis? Explain the significance of DOW theory on investment   **5M**
        decisions.

    b   Explain how Relative strength Index (RSI) helps in investment decisions.   **5M**

UNIT-III

5   a   What is meant by the duration of the bond? Explain its significance.   **5M**
    b   What is "Yield to maturity" (YTM) of a bond and discuss how it is calculated?   **5M**

OR

6   A person owns a Rs.1000 face value bond with five years to maturity. The bond makes   **10M**
    annual interest payments of Rs.80 and the bond is currently priced at Rs. 960. Given
    the market interest rate 10%. Should the investor hold or sell the bond?

UNIT-IV

7   Explain Gordon's share valuation model with suitable illustration. What are the   **10M**
    advantages of this model?

OR

8   A Banking company currently pays a dividend of Rs.5 per share on its equity shares.   **10M**
    The dividend is expected to grow at 6 per cent per year indefinitely. Stocks with similar
    risk currently are priced to provide a 12 percent expected return. What is the intrinsic
    value of the stock?

UNIT-V

9   Discuss the Markowitz theory of portfolio selection. How Markowitz theory helps in   **10M**
    planning investors' portfolio.

OR

10   "CAPM can be used to evaluate the pricing of securities". Discuss.   **10M**

SECTION – B
(Compulsory Question)

1 x 10 = 10 Marks

11. The return of two assets under four possible states of nature are given below:

State of Nature	Probability	Return on SBI stock (%)	Return on Reliance stock (%)
Excellent	0.10	5	3
Good	0.30	10	8
Average	0.50	15	20
poor	0.10	20	25

a. What is the expected return on stock SBI?
b. What is the expected return on RIL stock?
c. Calculate the expected return and standard deviation on portfolio if 50 percentage of funds invested in SBI stock and remaining 50 percentage of funds in Reliance stock?

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