



SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY : PUTTUR
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QUESTION BANK (DESCRIPTIVE)

Subject with Code: Investment and Portfolio Management (25MB9029)

Course & Branch: MBA

Year & Sem: I-MBA & II-Sem

Regulation: R25

UNIT - I
INVESTMENT

1	a)	What is meant by a stock market? Explain.	[L1][CO1]	[6M]
	b)	What are the primary objectives of investment for an individual investor?	[L2][CO1]	[6M]
2		An investor buys shares for long-term growth. Identify whether this is investment or speculation and justify your answer	[L3][CO1]	[12M]
3	a)	Define investment and speculation.	[L1][CO1]	[6M]
	b)	Explain the main objectives of investing in the stock market.	[L2][CO1]	[6M]
4		Explain the concept of risk and return in investment. How are they related?	[L2][CO1]	[12M]
5	a)	Differentiate between investment and speculation. Illustrate your answer with suitable examples.	[L4][CO1]	[6M]
	b)	Compare the characteristics of a long-term investment with short-term speculation.	[L4][CO1]	[6M]
6		Discuss the benefits of diversification in investment portfolios and its significance in protecting investors from market uncertainties.	[L4][CO1]	[12M]
7	a)	How would you apply the investment process when purchasing shares for the first time?	[L3][CO1]	[6M]
	b)	Compare the characteristics of a long-term investment with short-term speculation.	[L2][CO1]	[6M]
8		Discuss the major factors that investors should evaluate while selecting stocks for investment.	[L4][CO1]	[12M]
9		Design a structured investment strategy for a novice investor in the stock market and explain its objectives and execution process.	[L2][CO1]	[12M]
10	a)	How do stock exchanges contribute to economic growth and stability	[L2][CO1]	[6M]
	b)	Explain the role of stock markets in channeling savings into productive investments.	[L2][CO1]	[6M]

UNIT - II**FUNDAMENTAL ANALYSIS & TECHNICAL ANALYSIS**

1		Explain the concept of Economic Analysis in Fundamental Analysis. Discuss the major economic factors that influence investment decisions.	[L2][CO2]	[12M]
2	a)	What is Technical Analysis? Explain importance in investment decision-making.	[L2][CO2]	[6M]
	b)	List the components of Economic Analysis.	[L1][CO2]	[6M]
3		Elucidate Company Analysis with suitable examples. Discuss the various factors considered in Company Analysis and explain its importance in Fundamental Analysis.	[L4][CO2]	[12M]
4		Differentiate between Fundamental Analysis and Technical Analysis. Discuss the advantages and limitations of both methods.	[L4][CO2]	[12M]
5		Identify the stage of the Industry Life Cycle for a growing tech industry and justify.	[L3][CO2]	[12M]
6	a)	Break down the framework of Fundamental Analysis	[L4][CO2]	[6M]
	b)	Analyze the relationship between economic factors and stock prices.	[L4][CO2]	[6M]
7	a)	Evaluate the effectiveness of Fundamental Analysis in long-term investment decisions.	[L5][CO2]	[6M]
	b)	Assess the limitations of Technical Analysis.	[L2][CO2]	[6M]
8		Clarify the principles of Dow Theory. How can a simple Dow Theory model be developed to predict market trends?	[L2][CO2]	[12M]
9		Describe a step-by-step approach for stock selection using both Fundamental Analysis and Technical Analysis.	[L3][CO2]	[12M]
10		“Fundamental Analysis is a powerful tool for long-term investment planning.” Explain and evaluate this statement.	[L5][CO2]	[12M]

UNIT - III**MEASUREMENT OF RISK AND RETURN**

1	a)	What is meant by Revenue Return? Explain.	[L2][CO3]	[6M]										
	b)	Explain Capital Appreciation with an example.	[L2][CO3]	[6M]										
2	a)	Elucidate the concept of expected return.	[L2][CO3]	[6M]										
	b)	Describe the importance of holding period in investment.	[L2][CO3]	[6M]										
3		Discuss the role of Economic Analysis in Fundamental Analysis and explain its significance for investment decisions.	[L2][CO3]	[12M]										
4		a) Find the duration of the bond whose face value is 100, maturity period is 6 years, coupon rate is 12 percent and YTM is 10%. b) A person owns a Rs 1000 face value bond with five years to maturity. The bond makes annual interest payments of Rs.80. The bond is currently priced at Rs 960. Given the market interest rate 10%. Should the investor hold or sell the bond”?	[L3][CO3]	[12M]										
5		The expected return of a security is 12%. The possible returns are: <table border="1"><tr><td>Return (%)</td><td>8</td><td>12</td><td>16</td></tr><tr><td>Probability</td><td>0.25</td><td>0.50</td><td>0.25</td></tr></table> Calculate the Variance and Standard Deviation.	Return (%)	8	12	16	Probability	0.25	0.50	0.25	[L3][CO3]	[12M]		
Return (%)	8	12	16											
Probability	0.25	0.50	0.25											
6	a)	Explain the relationship between risk and return.	[L2][CO3]	[6M]										
	b)	Analyze the importance of standard deviation in measuring risk.	[L2][CO3]	[6M]										
7		a) An investor purchased a share for ₹ 500. During the year, he received a dividend of ₹ 30 per share and sold the share for ₹ 580. Calculate Revenue Return ,Capital Appreciation and Holding Period Return(HPR) b) Calculate YTM of the bond whose face value is 1000, maturity period is 5 years and coupon rate is 10% if the present value of the bond is 850.	[L3][CO3]	[12M]										
8		a) The possible returns on a security and their probabilities are given below: <table border="1"><tr><td>Return (%)</td><td>8</td><td>12</td><td>15</td><td>20</td></tr><tr><td>Probability</td><td>0.20</td><td>0.30</td><td>0.25</td><td>0.25</td></tr></table> Calculate the Expected Return of the security. b) A bond of Rs.1000 was issued five years ago at a coupon rate of 6%. The bond had a maturity period of 10 years and as of today;	Return (%)	8	12	15	20	Probability	0.20	0.30	0.25	0.25	[L3][CO3]	[12M]
Return (%)	8	12	15	20										
Probability	0.20	0.30	0.25	0.25										

		therefore, five more years are left for final repayment at par. The market interest rate currently is 10 %. Determine the value of the bond.												
9	a)	Design a portfolio considering risk and return trade-off.	[L6][CO3]	[6M]										
	b)	Suggest ways to minimize unsystematic risk in a portfolio.	[L6][CO3]	[6M]										
10		The expected returns and probabilities of a security are given below: <table border="1"> <tr> <td>Return (%)</td><td>5</td><td>10</td><td>15</td><td>20</td></tr> <tr> <td>Probability</td><td>0.20</td><td>0.30</td><td>0.30</td><td>0.20</td></tr> </table> The covariance between the security and market return is 0.025 and the variance of market return is 0.010. Calculate: - Expected Return - Variance - Standard Deviation - Beta of the security	Return (%)	5	10	15	20	Probability	0.20	0.30	0.30	0.20	[L3][CO3]	[12M]
Return (%)	5	10	15	20										
Probability	0.20	0.30	0.30	0.20										

UNIT - IV**VALUATION OF SECURITIES**

1	a)	What are securities? Explain equity, debt, and derivative securities with examples.	[L2][CO4]	[6M]
	b)	Explain the concept of valuation of securities.	[L2][CO4]	[6M]
2		Explain the concept of securities and describe the different types of securities.	[L2][CO4]	[12M]
3		a) An investor purchases 500 shares at ₹ 120 each and sells them at ₹ 150 each after one year. Calculate: i. Total investment ii. Total sale value iii. Capital gain and iv Percentage return b) A bond has: i. Face Value = ₹ 1,000 ii. Coupon Rate = 8% per annum iii. Maturity = 5 years iv. Required Rate of Return = 10% Calculate the present value (price) of the bond.	[L3][CO4]	[12M]
4	a)	Elucidate Bond Valuation.	[L2][CO4]	[6M]
	b)	What factors affect bond prices?	[L2][CO4]	[6M]
5		a) The equity stock of XYZ limited is currently selling for Rs. 30 per share. The dividend expected next year is Rs.2.00. the investors' required rate of return on this stock is 15%. What is the expected growth of XYZ limited if the constant growth model is used? b) The dividend expected next year is Rs.2.00. the investors' required rate of return on the stock is 15%. Growth rate is the expected to be 10%. Calculate the value of the share.	[L2][CO4]	[12M]
6	a)	Differentiate between bond valuation and equity valuation.	[L4][CO4]	[6M]
	b)	Analyze the factors influencing common stock valuation.	[L4][CO4]	[6M]
7		a) A firm's current dividend is ₹ 12 per share Dividends are expected to increase by 6% annually. Investors demand a return of 13%. Find the intrinsic value of the stock. b) A share currently pays a dividend of ₹ 5 per share The dividend is expected to grow by 6% annually. The required return is 13%. Calculate i. Present stock value ii Stock value after 5 year	[L3][CO4]	[12M]
8	a)	Compare preference shares and equity shares.	[L2][CO4]	[6M]
	b)	Analyze the risk-return characteristics of different securities.	[L4][CO4]	[6M]
9		A company paid a dividend of ₹ 4 per share last year The dividend is expected to grow at a constant rate of 5% per year. The required rate of return is 11%. Calculate: 1. Current market price of the share 2. Expected price of the share after 3 years, assuming growth rate and required return remain unchanged.	[L3][CO4]	[12M]
10	a)	Design a valuation model for a given company.	[L2][CO4]	[6M]
	b)	Discuss the factors affecting the valuation of common stock.	[L4][CO4]	[6M]

UNIT - V

PORTFOLIO MANAGEMENT

1	a)	Define Portfolio Management and explain its objectives.	[L2][CO5]	[6M]												
	b)	What is meant by Modern Portfolio Theory	[L1][CO5]	[6M]												
2		A portfolio contains:<table><tr><th>Security</th><th>Investment</th><th>Beta</th></tr><tr><td>A</td><td>₹ 40,000</td><td>1.2</td></tr><tr><td>B</td><td>₹ 35,000</td><td>0.8</td></tr><tr><td>C</td><td>₹ 25,000</td><td>1.5</td></tr></table> Calculate: - Portfolio beta - Expected return if risk-free rate = 5% and market return = 12%	Security	Investment	Beta	A	₹ 40,000	1.2	B	₹ 35,000	0.8	C	₹ 25,000	1.5	[L3][CO5]	[12M]
Security	Investment	Beta														
A	₹ 40,000	1.2														
B	₹ 35,000	0.8														
C	₹ 25,000	1.5														
3		Describe how investors use the efficient frontier to select an optimal portfolio.	[L4][CO6]	[12M]												
4	a)	Explain the process of portfolio management.	[L2][CO6]	[6M]												
	b)	Describe the importance of diversification in a portfolio.	[L2][CO6]	[6M]												
5		An investor creates a portfolio:<table><tr><th>Asset</th><th>Amount</th><th>Expected Return</th></tr><tr><td>Equity</td><td>₹ 80,000</td><td>15%</td></tr><tr><td>Bond</td><td>₹ 50,000</td><td>8%</td></tr><tr><td>Mutual Fund</td><td>₹ 70,000</td><td>12%</td></tr></table> Calculate: - Total investment - Portfolio expected return - Contribution of each asset	Asset	Amount	Expected Return	Equity	₹ 80,000	15%	Bond	₹ 50,000	8%	Mutual Fund	₹ 70,000	12%	[L3][CO6]	[12M]
Asset	Amount	Expected Return														
Equity	₹ 80,000	15%														
Bond	₹ 50,000	8%														
Mutual Fund	₹ 70,000	12%														
6	a)	Design an optimal portfolio using modern portfolio theory.	[L4][CO6]	[6M]												
	b)	What is CAPM? Explain the components of CAPM and their significance.	[L2][CO6]	[6M]												
7		a) A stock had: Risk-free rate = 6%, Market return = 14% and Beta = 1.5 Calculate: i .Expected return using CAPM ii. Market risk premium b) A company pays dividend ₹ 5 per share. Dividend growth is 5% and required return is 10%.Find the intrinsic value of the share.	[L3][CO6]	[12M]												
8	a)	Explain how the Markowitz Model is used to construct an efficient portfolio.	[L3][CO5]	[6M]												
	b)	Clarify the concept of systematic risk in portfolio context.	[L2][CO5]	[6M]												
9		Explain the concept of Sharpe Single Index Model. Discuss its assumptions and importance in portfolio management.	[L4][CO6]	[12M]												
10		An investor invests: Security Investment Expected Return Risk.	[L3][CO5]	[12M]												

			Security	Investment	Expected Return	Risk			
			A	₹ 50,000	12%	10%			
			B	₹ 30,000	18%	15%			
		Calculate: 1. Expected return of the portfolio 2. Portfolio risk (assume weights are given)							

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