WEST BENGAL STATE UNIVERSITY
BBA Honours 6th Semester Examination, 2022

BBAADSE07T-BBA (DSE3/4)

INVESTMENT ANALYSIS AND PORTFOLIO MGT

Time Allotted: 2 Hours   Full Marks: 50

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.

GROUP-A

Answer any *two* questions from the following   10×2 = 20

1. (a) What do you understand by systematic and unsystematic risks?

   (b) Discuss the objectives of investment.   4+6

2. The following information have been given: 10

Particulars	Stock A	Stock B
Expected Return	12%	15%
Standard Deviation	5%	9%

   Proportion of investment in stock A: 60% and in stock B: 40%. Correlation Co-efficient between the returns of stock A and B is 0.15

   Calculate expected return and risk of such portfolio.

3. Explain weak, semi-strong and strong-forms of market efficiencies.   10

4. (a) Discuss the advantages of mutual fund investment.

   (b) How 'net asset value' is calculated?   6+4

5. (a) A bond whose par value is Rs. 1,000 bears a coupon rate of 12% and has a maturity period of 3 years. The required rate of return on the bond is 10%. What is the value of this bond?

   (PVIFA 10%, 3 yrs.) = 2.487, (PVIF 10%, 3 yrs.) = 0.751

   (b) The equity stock of Rax 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 the stock is 15%. If the constant growth model applies to Rax Limited, what is the expected growth rate?   6+4

6. (a) Differentiate between capital market line and security market line.

   (b) The risk-free rate is 8% and expected return on the market portfolio is 14%. The beta of stock A is 1.25. Calculate the expected return by Security Market Line (SML).   6+4

GROUP-B

Answer any *two* questions from the following   15×2 = 30

7. (a) What do you mean by risk adjusted measures?   3+12

    (b) Following information are available regarding four mutual funds:

Mutual Fund	Return (%)	Standard Deviation	Beta
A	12	15	0.8
B	16	22	0.76
C	21	37	1.15
D	13	24	1.32

Risk-free rate of return is 10% and face value is ₹100 each. Evaluate the performance of these mutual funds using Sharpe's Ratio and Treynor's ratio. Rank the funds and comment.

8.   Explain in detail how optimum portfolio can be determined as per Markowitz mean-variance model.   15

9.   Write short notes on: 5+5+5

    (i)   Primary and secondary market.

    (ii) Jensen differential return measure.

    (iii) Diversification of risk.

10.   Mr. S an analyst is evaluating the prospects of investing in two companies B Ltd. and M Ltd. Expected returns for the stocks of these two companies along with their probabilities are as follows: $7\frac{1}{2}+7\frac{1}{2}$

Probability	Returns associated with B Ltd. in %	Returns associated with M Ltd. in %
0.2	20	9
0.1	17.5	11
0.3	15	15
0.25	10	20
0.15	8	25

You are required to:

(i)   Calculate the expected returns, standard deviations of returns and correlation coefficient between the two stocks.

(ii) Compare the risk and return of those two stocks with a portfolio of these stocks in equal proportions.

11. (a) How one can use CAPM for security valuation? 5+10

    (b) From the following information, find out which of the following securities is underpriced, overpriced or correctly priced.

Security	Actual Return	Beta
A	21%	1.4
B	12%	0.70
C	21%	2
D	21%	1.25

Market rates of return is 15% and risk-free rates of return is 5%.

12. (a) What do you mean by fundamental analysis? 3+5+7

    (b) State the difference between fundamental and technical analysis.

    (c) What factors will you consider to make economic analysis?

N.B. : *Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.*

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