BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(END SEMESTER EXAMINATION)

CLASS: MBA **SEMESTER : III**
BRANCH: MBA **SESSION : MO/19**

SUBJECT: MT505 INVESTMENT & PORTFOLIO MANAGEMENT

TIME: 3.00Hrs. **FULL MARKS: 50**

INSTRUCTIONS:
1. 1. The question paper contains 5 questions each of 10 marks and total 50 marks.
2. Attempt all questions.
3. The missing data, if any, may be assumed suitably.
4. Before attempting the question paper, be sure that you have got the correct question paper.
5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.

Q.1(a) Interpret any 3 factors that an investor considers before undertaking an investment in financial securities. Give relevant examples for each of the factors. [5]

Q.1(b) Differentiate between the various mutual fund schemes which investors in India can choose from. [5]

Q.2(a) "Unsystematic risk in a security is unique and peculiar to a firm or an industry." Appraise the factors that contribute to the unsystematic risk. [5]

Q.2(b) The returns on securities A and B are given below: [5]

Probability	Security A	Security B
0.5	4%	0%
0.4	2%	3%
0.1	0%	3%

As an investor evaluate the above data and select any one security on the basis of return and risk.

Q.3(a) An important component of Fundamental analysis is the analysis of the condition of the Industry. Comment on the various facets of Industry analysis. [5]

Q.3(b) Illustrate the following information of ABC stock on 2 consecutive days on 2 Japanese candlesticks. [5]

	Day 1	Day 2
Opening price	45	46
Closing price	47	49
High price	50	51
Low price	44	45

Assess the above data and identify if the trend is bullish or bearish.

Q.4(a) Define a financial derivative. Contrast the advantages and disadvantages of a Futures contract vis-a- vis that of a Forward contract. [5]

Q.4(b) An investor is bearish on the stock of XYZ ltd. Thus, he purchases 5 put option contracts (100 shares per contract) on XYZ Ltd for a premium of Rs. 3/- per share. The exercise price is Rs. 41/- and has a maturity of 3 months. The current price is Rs. 40/-. If the investor is correct and XYZ's price falls to Rs. 35/-, assess whether the investor will exercise the option or not. What will be his profit or loss? [5]

Q.5(a) [5]

Fund	Portfolio Return	Portfolio Risk (Std. Dev)
ABC	21%	4
XYZ	18%	6.01

The risk free rate of return is 8%. By utilizing the Sharpe's Performance Index evaluate and compare the performance of the 2 funds and comment on their performance.

Q.5(b) The variance of the security has 2 components systematic and unsystematic risk. Utilise the Sharpe Index model to discuss how a security's systematic, unsystematic and total risk is computed. Explain how the risk is reduced with the construction of a portfolio. Give relevant examples to illustrate your answer. [5]

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