

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

**CLASS: MBA/PRE-PHD
BRANCH: MANAGEMENT**

**SEMESTER : III/I
SESSION : MO/2025**

SUBJECT: MT505 INVESTMENT AND PORTFOLIO MANAGEMENT

TIME: 3 Hours

FULL MARKS: 50

INSTRUCTIONS:

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.
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| Q.1(a) What are the characteristics that an investor would like to have in an investment option? Explain each of these. | [5] | 1 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.1(b) "Capital formation takes place in primary market." Explain | [5] | 1 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.2(a) What factors determine the level of systematic risk in an economy, and why can such risk not be eliminated through diversification? | [5] | 2 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.2(b) An investor has a choice of four stocks for investment. Their rate of return and probabilities are given below | [5] | 2 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="margin: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="2">A</th> <th colspan="2">B</th> <th colspan="2">C</th> <th colspan="2">D</th> </tr> <tr> <th>R</th> <th>P%</th> <th>R</th> <th>P%</th> <th>R</th> <th>P%</th> <th>R</th> <th>P%</th> </tr> </thead> <tbody> <tr> <td>-30</td> <td>20</td> <td>-20</td> <td>15</td> <td>-20</td> <td>20</td> <td>-10</td> <td>10</td> </tr> <tr> <td>0</td> <td>40</td> <td>0</td> <td>35</td> <td>10</td> <td>40</td> <td>0</td> <td>25</td> </tr> <tr> <td>30</td> <td>30</td> <td>20</td> <td>45</td> <td>40</td> <td>30</td> <td>10</td> <td>40</td> </tr> <tr> <td>70</td> <td>10</td> <td>40</td> <td>5</td> <td>80</td> <td>10</td> <td>20</td> <td>25</td> </tr> </tbody> </table> | | | | A | | B | | C | | D | | R | P% | R | P% | R | P% | R | P% | -30 | 20 | -20 | 15 | -20 | 20 | -10 | 10 | 0 | 40 | 0 | 35 | 10 | 40 | 0 | 25 | 30 | 30 | 20 | 45 | 40 | 30 | 10 | 40 | 70 | 10 | 40 | 5 | 80 | 10 | 20 | 25 |
| A | | B | | C | | D | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| R | P% | R | P% | R | P% | R | P% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| -30 | 20 | -20 | 15 | -20 | 20 | -10 | 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 | 40 | 0 | 35 | 10 | 40 | 0 | 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | 30 | 20 | 45 | 40 | 30 | 10 | 40 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70 | 10 | 40 | 5 | 80 | 10 | 20 | 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Are all these stocks attractive for investment, how should the investor choose one to buy? | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.3(a) Why is it important to understand competitive position of the product of the company in purchasing the shares of the company? | [5] | 3 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.3(b) 'Chart patterns are helpful in predicting the stock price movement'. Comment. | [5] | 3 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.4(a) An investor has bought the Everest company stock that has paid Rs. 3.00 as dividend per share during the last financial year. He anticipates two situations, either a 5% decline in the dividend or 5% growth in the dividend in the next year. His anticipated return is 20%. Fix the price for both the situations. | [5] | 4 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.4(b) Rs. 1000 face value bond with five years to maturity. The bond has an annual coupon of Rs.75. the bond is currently priced at Rs.970. given an appropriate discount rate of 10% should investor hold or sell bond? | [5] | 4 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.5(a) What is simple diversification? Will it reduce total risk, or will it reduce unsystematic risk? | [5] | 5 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q.5(b) Assume that the risk-free rate of return is 7% The market portfolio has an expected return of 14% and the standard deviation of return of 25%. Under equilibrium conditions as described by CAPM, what would be the expected return for a portfolio having no unsystematic risk and 20% standard deviation of return? | [5] | 5 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |