Reg. No. | | | | | | | | | | | | |

MBAS 505

Third Semester MBA Degree Examination, April/May 2024
BUSINESS ADMINISTRATION
Investment Analysis and Portfolio Management

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any two** of the following questions. **Each** question carries **10** marks. Answer to this question should **not** exceed **5** pages. **(2×10=20)**

1. What is the importance of industry analysis ? Discuss the factors affecting industry analysis.

2. Explain portfolio analysis and describe the portfolio risk and return.

3. What are the types of indexes ? Explain their constructions.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **12** marks. Answer to **each** question should **not** exceed **6** pages. **(3×12=36)**

4. Define portfolio performance evaluation. Discuss Jensen's Differential Return Model in detail.

5. The estimates of the standard deviations and correlation co-efficient for three stocks are given below.

Stock	Standard Deviation	Correlation with Stock		
		A	B	C
A	32	1.00	– 0.80	0.40
B	26	– 0.80	1.00	0.65
C	18	0.40	0.65	1.00

If a portfolio is constructed with 15% of stock A, 50% of stock B and 35% of stock C, what is the portfolios standard deviation ?

P.T.O.

6. Shown below are the returns on X company and S & P 500 stock index for 5 years period.

Year	Return on X Company (Security Return)	Return on S&P (Market Return)
1	0.29	– 0.10
2	0.31	0.24
3	0.10	0.11
4	0.06	– 0.08
5	– 0.07	0.03

Find Alpha, Beta, Systematic risk, Unsystematic risk, Total risk of X Company and interpret the result.

7. The following table provides information regarding portfolio return and risk.

Portfolio	Expected return E(R)	σ
1	10	4
2	12	7
3	13	5
4	16	12
5	20	14

i) The Treasury bill rate is 5%. Which portfolio is best ?

ii) Would it be possible to earn 12% return which SD of 4% ?

iii) If SD is 12%, what would be the expected return ?

8. XYZ and ABC are the two mutual funds. XYZ has a sample mean of success 13% and fund ABC has a sample mean of success 18%. With the riskier fund ABC having double the Beta at 2.0 as fund XYZ. The respective standard deviations are 15% of ABC and 19% of XYZ. The mean return for market index is 12% while the risk free rate is 8%.

a) Compute the Treynor index, Sharpe index and Jensen index for the funds.

b) Interpret the result and compare each other.

SECTION – C
(Compulsory)

Answer to this question should **not** exceed **6** pages. **(1×14=14)**

9. Shown below are the returns on stock 'P' and S&P 500 index for 5 years period.

Year	Return on 'P'	Return on S&P 500
1	0.2	0.25
2	0.3	0.35
3	0.1	0.15
4	0.15	0.2
5	0.05	0.1

a) Plot the returns on stock v/s S&P 500 on a graph.

b) Calculate the Regression equation for the returns plotted and draw the line on a graph.

c) Indicate (i) Total variance for 'P' and (ii) The proportion that are influenced and not influenced by S&P 500.