D 131919 **(Pages : 4)** **Name.....**

Reg. No.....

THIRD SEMESTER M.Com. DEGREE [REGULAR/SUPPLEMENTARY] EXAMINATION, NOVEMBER 2025

(CBCSS)

Master of Commerce

MCM3E(F)01—INVESTMENT MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in **English** *only.*

Section A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What are the objectives of investment ?
2. What is meant by yield to maturity ?
3. What is Dow Theory ?
4. What is meant by diversification ?
5. What is Arbitrage Pricing Theory (APT) ?
6. What do you understand by the term Behavioural finance ?
7. What is meant by Portfolio revision ?

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. The following information is given for a corporate bond. Price of the bond at the beginning of the year Rs. 90, Price of the bond at the end of the year Rs. 95.40, Interest received for the year Rs. 13.50. Compute the rate of return.

Turn over

9. Stocks A and B have the following historical returns :

Year	*Stock* A's *Return* (K_A) %	*Stock* A's *Return* (K_B) *
2003 ...	– 12.24	– 5.00
2004 ...	23.67	19.55
2005 ...	35.45	44.09
2006 ...	5.82	1.20
2007 ...	28.30	21.16

You are required to calculate the average rate of return for each stock during the period 2003 through 2007. Assume that someone held a portfolio consisting 50 % of stock A and 50 % of stock B. What would have been the average return on the portfolio during the period ? (You may assume that the year ended on 31st March.).

10. RKV Ltd., paid dividends amounting to Rs. 0.75 per share during the last year. The company is to pay Rs. 2.00 per share during the next year. Investors forecast a dividend of Rs. 3.00 per share in that year. At this time, the forecast is that dividends will grow at 10 % per year into an indefinite future. Would you sell the share if the current price is Rs. 54.00 ? The required rate of return is 15 %.

11. The beta co-efficient of security 'A' is 1.6. The risk free rate of return is 12 % and the required rate of return is 18 % on the market portfolio. If the dividend expected during the coming year is Rs. 2.50 and the growth rate of dividend and earnings is 8 %, at what price should the security 'A' can be sold based on the CAPM.

12. The policy committee of CDME recently used reports from various security analysts to develop inputs for the single-index model. Output derived from the single-index model consisted of the following efficient portfolios

Portfolio	*Expected Return* (ER)	*Standard Deviation*
1 ...	8 %	3 %
2 ...	10 %	6 %
3 ...	13 %	8 %
4 ...	17 %	13 %
5 ...	20 %	18 %

(a) If the prevailing risk-free rate is 6 % which portfolio is the best ?

(b) If a SD of 12 % were acceptable, what would the expected portfolio return be and how would CDME Finance achieve it ?

(c) Assume that the policy committee would like to earn an expected 10 % with a SD of 4 %. is this possible ?

13. Explain the factors affecting investment ?

14. Which are the types of risks in investments ?

(4 × 3 = 12 weightage)

Section C

Answer any **two** *questions.*

Each question carries 5 *weightage.*

15. The returns of Security of Wipro and Security of Infosys for the past six years are given below :

Year	*Security of Wipro Return %*	*Security of Infosys Return %*
2003 ...	9	10
2004 ...	5	– 6
2005 ...	3	12
2006 ...	12	9
2007 ...	16	15

Calculate the risk and return of portfolio consisting both where the proportion of funds invested in security of Wipro is 80 %.

16. (a) Suppose R_A. 8 % R_f. 2 %. Rm 9 %.Beta of Portfolio A = 0.67. Standard Deviation of Portfolio = 15 % Standard Deviation of market = 21 %. Compute the expected return on portfolio and total excess return.

Turn over

(b) Suppose you are asked to analyse two portfolios having the following characteristics :

	Observed Return	*Beta*	*Residual Variance*
Portfolio I Gate ...	0.18	2.0	0.03
Portfolio Wipro ...	0.12	1.5	0.00

The risk-free rate is 0.07. The return on the market portfolio is 0.15. The standard deviation of the market is 0.06 ; (1) Compute the Jensen index for portfolio I-Gate and Wipro ; (2) Compute the Sharpe index for the market portfolio ; (3) Compute the Sharpe index for portfolios I-Gate and Wipro ; and (4) Compute the Treynor index for the portfolios I-Gate and Wipro

17. Explain fundamental analysis.

18. Explain Markowitz Model of portfolio selection.

(2 × 5 = 10 weightage)