

Name:
Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2022

Course: MBA CORE - FINANCE
Program: Investment Analysis & Portfolio Management
Course Code: FINC 7021

Semester: II
Time : 03 hrs.
Max. Marks: 100

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Justify (True/False)		
I.	Beta, β , of risk-free investment is: a) Zero b) 1 c) -1 d) None of these	2	CO1
II.	Return of a portfolio is: a) Total return of all elements b) Average return of all elements c) Highest return d) Lowest return	2	CO1
III.	Which of the following is diversifiable risk? a) Inflation risk b) Interest rate risk c) Seasonal risk d) All of the above	2	CO1
IV.	Which of the following is not a non-diversifiable risk: a) Industrial recession b) Lock-out in a company c) Political instability d) Both (a) and (c)	2	CO1

V.	<p>Which of the following is not true?</p> <ul style="list-style-type: none"> a) Risk can never be reduced to zero b) Diversification always reduces risk to zero c) Diversification does not affect risk d) None of the above 	2	CO1
VI.	<p>Standard deviation can be used to measure:</p> <ul style="list-style-type: none"> a) Risk of an investment b) Return of an investment c) Both (a) and (b) d) None of(a) and (b) 	2	CO1
VII.	<p>Which of the following is true?</p> <ul style="list-style-type: none"> a) Higher the Beta, lower the risk b) Higher the Beta, higher the risk c) Risk is constant d) Beta is constant 	2	CO1
VIII.	<p>Amount of risk-reduction in a portfolio depends upon:</p> <ul style="list-style-type: none"> a) Market movement b) Degree of correlation c) No. of shares d) Both (a) and (b) 	2	CO1
IX.	<p>In a diversified portfolio, a new security adds:</p> <ul style="list-style-type: none"> a) Systematic risk b) Unsystematic risk c) Liquidity risk d) None of the above 	2	CO1
X.	<p>Risk-Return trade-off implies:</p>	2	CO1

	<ul style="list-style-type: none"> a) Minimization of risk b) Maximization of risk c) Ignorance of risk d) Optimization of risk 														
SECTION B 4Qx5M= 20 Marks															
Q2	State the economic and financial meaning of investment. In the stock market, can you differentiate the investor from the speculator in times of depression.	5	CO2												
Q3	You are the top Financial analyst in your firm, and your boss has turned to you for an answer to difficult question. He wants to know which single indicator you think is the best and why you think so. What is your answer? Explain	5	CO2												
Q4	Do you think that knowing the status of economic factors are useful in analyzing stock market movements? If so, explain.	5	CO2												
Q5	How would you classify shares into growth, cyclical and defensive? Name some stocks in each group and explain.	5	CO2												
SECTION-C 3Qx10M=30 Marks															
Q6	State the reason for the Treynor and Sharpe giving conflicting performance ranking? Which ranking you would prefer & why?	10	CO3												
Q7	Define Investment. Explain its objectives.	10	CO3												
Q8	A firm is currently paying a dividend of Rs.2 per share. The rate of dividend is expected to grow at 5% for first 5 years and 10% thereafter. Find out the Intrinsic value of share if the required rate of return of the investor is 15%	10	CO3												
SECTION-D 2Qx15M= 30 Marks															
Q9	What is terminal value. Illustrate how to calculate terminal value.	15	CO3												
Q10	An investor has 78% of his funds invested in security A and 22% invested in security B. The risk & expected return data is given below:	15	CO4												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Security</th> <th style="width: 25%;">Risk %</th> <th style="width: 25%;">Expected Return %</th> <th style="width: 25%;">Co-Variance %</th> </tr> </thead> <tbody> <tr> <td>A</td> <td style="text-align: center;">16.32</td> <td style="text-align: center;">9.82</td> <td style="text-align: center;">0.43</td> </tr> <tr> <td>B</td> <td style="text-align: center;">32.86</td> <td style="text-align: center;">14.97</td> <td></td> </tr> </tbody> </table>			Security	Risk %	Expected Return %	Co-Variance %	A	16.32	9.82	0.43	B	32.86	14.97	
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What is the portfolio's Expected Return & Risk respectively?															