

2010

INVESTMENT MANAGEMENT

FIFTH PAPER

Full Marks : 100

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Answer any five questions from the following : 5×5=25
- (a) Discuss briefly the distinctive characteristics of financial assets.
  - (b) Define Treasury Bill and Certificate of Deposit.
  - (c) State the difference between cash settlement and forward contracts of settlement.
  - (d) Explain any three reforms introduced by SEBI to reform the capital market.
  - (e) Write the general formula for the valuation of debt instruments. What is the value of a Rs 1,000 bond with 9 percent coupon rate, 3 year before maturity?

(f) Explain the impact of interest rate, inflation and GDP growth rate on the performance of the economy and share prices.

(g) What is mutual fund? Discuss the difference between close-ended and open-ended mutual funds.

2. Answer any three questions from the following : 10×3=30

(a) What is technical analysis? Describe the important market indicators that are useful in studying the trend of the market.

(b) (i) Define the following share valuation techniques :

Dividend Discount Model ; P/E Ratio ; Price to Book Value Ratio.

(ii) Elstar company has paid Rs 3 as dividend per share at the end of the last year. The cash dividend is expected to grow at a rate of 10%. Find the value of the share assuming the investor's required rate of 12% per annum.

- (c) Discuss the different types of risk associated with bonds.
- (d) Define the concept of primary market. What are the different modes of raising money from primary market?
- (e) (i) Discuss the important features of equity shares.  
(ii) Define the following shares :  
Blue-chip shares ; Growth shares ;  
Defensive shares ; Cyclical shares.

3. Answer any *three* questions from the following : 15×3=45

- (a) Briefly describe the trading and settlement mechanism in National Stock Exchange.
- (b) What is a stock exchange? Discuss the functions of stock exchanges.
- (c) What is a stock index? What are the different types of stock indices? Briefly discuss the Bombay Stock Exchange sensitive index and S & P CNX Nifty.
- (d) (i) What is Net Asset Value (NAV)? Discuss about the recent developments in Mutual Funds.

- (ii) Consider the following information for three mutual funds A, B and C and the market :

	<i>Mean Return (%)</i>	<i>Standard Deviation (%)</i>	<i>Beta</i>
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
<i>Market Index</i>	11	17	1.00

The mean risk-free rate was 6%.  
Calculate the Treynor measure, Sharpe measure and Jensen measure for the three mutual funds and the market index.

- (e) Describe the various characteristics of an industry that an analyst must consider while doing industry analysis.

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