



**SIDDHARTH GROUP OF INSTITUTIONS:: PUTTUR  
(AUTONOMOUS)**

Siddharth Nagar, Narayanavanam Road – 517583

**QUESTION BANK (DESCRIPTIVE)**

**Subject with Code: IAPM ( 19MB720)**

**Course & Branch:MBA**

**Year & Sem: II-MBA& I-Sem**

**Regulation: R19**

**UNIT –I  
INVESTMENTS**

<b>1</b>	a) Describe briefly the wide array of investment avenues. b) What qualities are required for successful investing?	[L1][CO1]	[10M]
<b>2</b>	Explain nature and objectives of Investment.	[L1][CO1]	[10M]
<b>3</b>	a) Briefly describe the functions of Financial Markets. b) Present a summary classification of Financial Markets.	[L2][CO1]	[10M]
<b>4</b>	State and explain the objectives of investment activity.	[L2][CO1]	[10M]
<b>5</b>	Discuss briefly the key steps involved in the portfolio management process.	[L2][CO1]	[10M]
<b>6</b>	Write short notes on the following a) Book building b) Rights issue c) Short sale. d) Screen –based trading system.	[L3][CO1]	[10M]
<b>7</b>	What are the key differences between an investor and a speculator?	[L1][CO1]	[10M]
<b>8</b>	a) Describe depository system b) Types of orders in stock exchanges	[L3][CO1]	[10M]
<b>9</b>	Discuss the structure and function of financial markets.	[L1][CO1]	[10M]
<b>10</b>	a) Explain the trading system and settlement mechanism in stock exchange b) Explain the significance of positional and intraday order strategies.	[L1][CO1]	[10M]

**UNIT –II**  
**SECURITY ANALYSIS**

<b>1</b>	Describe the relationship between Fundamental Analysis and Technical Analysis.	[L2][CO2]	<b>[10M]</b>
<b>2</b>	Explain the Technical analysis. How technical analysis will influence on Investment decisions.	[L3][CO1]	<b>[10M]</b>
<b>3</b>	What is fundamental analysis? Explain the process of fundamental analysis.	[L1][CO2]	<b>[10M]</b>
<b>4</b>	What is security analysis? Explain the process of conducting Fundamental analysis.	[L1][CO2]	<b>[10M]</b>
<b>5</b>	Describe the key economic factors than an investor must monitor as part of his fundamental analysis	[L1][CO2]	<b>[10M]</b>
<b>6</b>	What is Technical analysis? Explain the significance of DOW theory on investment decisions.	[L4][CO2]	<b>[10M]</b>
<b>7</b>	“Fundamental analysis provides an analytical framework for rational investment decision making.” Justify.	[L3][CO2]	<b>[10M]</b>
<b>8</b>	What is company analysis? Explain how financial ratios can be used to determine the strengths and weakness of a company.	[L3][CO2]	<b>[10M]</b>
<b>9</b>	Write short notes on the following a) Moving average b) RSI c) MACD d) Candle stick chart	[L2][CO2]	<b>[10M]</b>
<b>10</b>	Technical analysis believes that an investor past price changes to predict the future Prices. How do they justify this belief?	[L2][CO2]	<b>[10M]</b>

**UNIT –III**  
**ANALYSIS AND VALUATION OF BONDS**

<b>1</b>	1. What is ‘Yield to maturity’? How is it calculated?	[L1][CO3]	<b>[10M]</b>
<b>2</b>	Discuss the changes that have started taking place in the debt market in the post Liberalization scenario.	[L4][CO3]	<b>[10M]</b>
<b>3</b>	Write short notes on: (a) Coupon rate  (b) Yield to call  (c) Zero coupon bond  (d) Default risk of a bond	[L2][CO3]	<b>[10M]</b>
<b>4</b>	a) State the valuation formula for a bond which pays interest semi-annually. b) State the basic bond valuation formula.	[L2][CO3]	<b>[10M]</b>
<b>5</b>	Explain and illustrate the following yield to measures. a) Yield to maturity b) Yield to call c) Realized yield to maturity.	[L1][CO3]	<b>[10M]</b>
<b>6</b>	What is meant by the duration of the bond? Explain its significance.	[L1][CO3]	<b>[10M]</b>
<b>7</b>	What are the basic valuation models of bonds? How do you calculate ‘Yield’ on bonds?	[L1][CO3]	<b>[10M]</b>
<b>8</b>	A person own a rupees thousand face value bond with five years to maturity. The bond makes annual interest payments of Rs.80. the bond is currently priced at Rs. 960. Given the market interest rate 10%. Should the investor hold or sell the bond”?	[L3][CO3]	<b>[10M]</b>
<b>9</b>	A bond of Rs.1000 was issued five years ago at a coupon rate of 6%. The bond had a maturity period of 10 years and as of today, therefore, five more years are left for final repayment at par. The market interest rate currently is 10 %. Determine the value of the bond.	[L3][CO1]	<b>[10M]</b>
<b>10</b>	Assume an Rs.1000 per value bond with 8.5 per cent coupon rate and a maturity period of 6 years. Determine the duration of the bond, if the current market interest rate is 10 percent.	[L4][CO1]	<b>[10M]</b>

**UNIT –IV**  
**EQUITY VALUATION MODELS**

1	Explain the concept of 'Present value'. Write its significance.	[L2][CO3]	[10M]
2	Explain Gordon's share valuation model with suitable illustration. What are the advantages of this model?	[L2][CO4]	[10M]
3	Illustrate the two- stage growth model of share valuation with an example.	[L3][CO4]	[10M]
4	How would you determine the discount rate to be applied in the present value models of share valuation?	[L1][CO4]	[10M]
5	How would you estimate the intrinsic value of a share which is to be held for one year?	[L1][CO4]	[10M]
6	Discuss the significance of the earning dividend payout and required rate of return in estimating the theoretical value of the stock	[L3][CO4]	[10M]
7	What is the difference between active equity and passive equity management?	[L2][CO4]	[10M]
8	Describe the various models of common stock valuation.	[L1][CO4]	[10M]
9	What do you mean by Valuation? Explain briefly different equity evaluation models.	[L1][CO4]	[10M]
10	An IT company currently pays a dividend of Rs.5 per share on its equity shares. The dividend is expected to grow at 6 per cent per year indefinitely. Stocks with similar risk currently are priced to provide a 12 percent expected return. What is the intrinsic value of the stock?	[L4][CO4]	[10M]

**UNIT –V**  
**PORTFOLIO MANAGEMENT**

<b>1</b>	Explain the sharp index model. How does it differ from the Markowitz model?	[L2][CO5]	<b>[10M]</b>
<b>2</b>	Describe the different phases in portfolio management.	[L1][CO5]	<b>[10M]</b>
<b>3</b>	“Portfolio evaluation provides a feedback mechanism for improving the entire portfolio management process”? Justify.	[L4][CO5]	<b>[10M]</b>
<b>4</b>	Discuss the Markowitz theory of portfolio selection. How Markowitz theory does helps in planning investor’s portfolio	[L2][CO5]	<b>[10M]</b>
<b>5</b>	What is meant by Portfolio revision? Describe the major constraints in portfolio selection.	[L2][CO5]	<b>[10M]</b>
<b>6</b>	Compare and contrast constant rupee value plan and constant ratio plan.	[L2][CO5]	<b>[10M]</b>
<b>7</b>	.” CAPM can be used to evaluate the pricing of securities”. Discuss.	[L3][CO5]	<b>[10M]</b>
<b>8</b>	Write short notes on the following a) CML b) SML c) CAPM	[L2][CO5]	<b>[10M]</b>
<b>9</b>	Define Portfolio. Explain the various steps thus involved in portfolio management process.	[L1][CO5]	<b>[10M]</b>
<b>10</b>	Compare and contrast Capital Market line and Securities Market line.	[L3][CO5]	<b>[10M]</b>

**CASE STUDIES IN IAPM****Case Study 1:****[L3, CO2][10M]**

1. Probability distribution of the Rates of Return on BHARAT FOODS and ORIENTAL SHIPPING stocks

State of the economy	probability of occurrence	Rate of return (%)	
		Bharat foods	Oriental shipping
Boom	0.30	16	40
Normal	0.50	11	10
Recession	0.20	6	-20

From the above probability distribution of the rate of return calculate two key parameters, the expected rate of return and the standard deviation rate of return.

**Case Study 2:****[L3, CO2][10M]**

2. The market price of a Rs.1000 par value bond carrying a coupon rate of 14percent and maturing after five years is Rs.1050. what is yield to maturity (YTM) on this bond?

**Case Study 3:****[L4, CO1][10M]**

3. The return of two assets under four possible states of nature are given below:

State of nature	Probability	Return on Asset 1	Return on Asset 2
1	0.10	5%	0%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

- What is standard deviation of the return on asset1? And asset 2?
- What is the covariance between the return on assets1? And 2?
- What is the coefficient of correlation between the returns on assets1 and 2?

**Case Study 4:****[L5, CO6][10M]**

4. The rates of return on stock A and market portfolio for 15 periods are given below

PERIOD	RETURN ON STOCK A (%)	RETURN OF MARKET PORTFOLIO (%)	PERIOD	RETURN ON STOCK (A)%	RETURN ON MARKET PORTFOLIO (%)
1	10	12	9	-9	1
2	15	14	10	14	12
3	18	13	11	15	-11
4	14	10	12	14	16
5	16	9	13	6	8
6	16	13	14	7	7
7	18	14	15	-8	10
8	4	7			

a) What is the beta for stock A?

b) Calculate expected rate of return, if the risk free rate of return is 4%?