



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

Siddharth Nagar, Narayanavanam Road – 517583

QUESTION BANK (DESCRIPTIVE)

**Subject with Code: Investment Analysis
and Portfolio Management(20MB9021)**

UNIT –I

**Course & Branch: MBA
Regulation: R20**

INVESTMENTS

1	a) Describe briefly the wide array of investment avenues. b) What qualities are required for successful investing?	[L1][CO1] [L1][CO1]	[5M] [5M]
2	Give a detailed explanation on major objectives of investment?	[L1][CO1]	[10M]
3	Compare investment and speculation and explain how they are different from gambling	[L2][CO1]	[10M]
4	a).What are the money market instruments? b).What are the capital market instruments?	[L2][CO1] [L2][CO1]	[5M] [5M]
5	Discuss briefly the key steps involved in the investment process.	[L2][CO1]	[10M]
6	Write short notes on the following a) Types of orders b) Speculation c) Gambling d) Screen –based trading system.	[L2][CO1] [L2][CO1] [L2][CO1] [L2][CO1]	[3M] [3M] [2M] [2M]
7	Write short notes on a) Delivery based trading b) Intra-day trading	[L2][CO1] [L2][CO1]	[5M] [5M]
8	a) Describe depository system b) What are the types of orders in stock exchanges	[L2][CO1] [L2][CO1]	[5M] [5M]
9	a) What are the characteristics of investment b) Discuss different types of long-term investments	[L2][CO1] [L2][CO1]	[5M] [5M]
10	a) Explain the trading system and settlement mechanism in stock exchange b) Explain the significance of positional and intraday order strategies.	[L2][CO1] [L2][CO1]	[5M] [5M]

UNIT –II
SECURITY ANALYSIS

1	a) What is the importance of security analysis? b) How to conduct security analysis?	[L2][CO2] [L2][CO2]	[5M] [5M]
2	a) Explain Economy Analysis and Industry analysis in detail.	[L3][CO2]	[10M]
3	a) Explain the process of fundamental analysis.	[L2][CO2]	[10M]
4	a) What is security analysis? b) Explain the process of conducting security analysis.	[L2][CO2] [L4][CO2]	[2M] [8M]
5	a) Explain company analysis. b) How to find intrinsic value of a company	[L2][CO2] [L2][CO2]	[5M] [5M]
6	a) What is Technical analysis? b) Explain the significance of Dow Theory on investment decisions.	[L2][CO2] [L2][CO2]	[3M] [7M]
7	“Fundamental analysis provides an analytical framework for rational investment decision making.” Justify.	[L3][CO2]	[10M]
8	a) What is the importance of conducting company analysis? b) Explain how financial ratios can be used to determine the financial status of a company.	[L2][CO2] [L2][CO2]	[5M] [5M]
9	Write short notes on the following a) Simple Moving Average b) Relative Strength Index	[L5][CO2] [L5][CO2]	[5M] [5M]
10	a) Explain charts in technical analysis b) Explain Rate Of Change [ROC]	[L3][CO2] [L4][CO2]	[5M] [5M]

UNIT –III
ANALYSIS AND VALUATION OF BONDS

1	a) What is Yield to Maturity [YTM]? b) Explain the process of calculating YTM?	[L2][CO3] [L2][CO3]	[5M] [5M]
2	a) Explain different types of bonds in detail. b) What is time line of a bond? Explain with an example.	[L2][CO3] [L2][CO3]	[5M] [5M]
3	Write short notes on: (a) Coupon rate (b) Yield to call (c) Zero coupon bond (d) Default risk of a bond	[L2][CO3] [L2][CO3] [L2][CO3] [L2][CO3]	[3M] [3M] [2M] [2M]
4	a) State and explain the basic bond valuation model. b) State the valuation formula for a bond which pays interest semi-annually.	[L2][CO3] [L2][CO3]	[5M] [5M]
5	Explain and illustrate the following yield measures. a) Yield to maturity b) Yield to call c) Realized yield to maturity.	[L4][CO3] [L4][CO3] [L5][CO3]	[3M] [3M] [4M]
6	a) What is meant by the duration of the bond? b) Find the duration of the bond whose face value is 100, maturity period is 6 years, coupon rate is 12 percent and YTM is 10%.	[L2][CO3] [L5][CO3]	[5M] [5M]
7	a) Calculate the value of the bond whose face value is 1000, coupon rate is 15%, maturity period is 5 years and required rate of return is 12% b) Calculate YTM of the bond whose face value is 1000, maturity period is 5 years and coupon rate is 10% if the present value of the bond is 850.	[L5][CO3] [L5][CO3]	[5M] [5M]
8	a) Explain redeemable and irredeemable bonds. b) A person owns a Rs 1000 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”?	[L2][CO3] [L5][CO3]	[3M] [7M]
9	a) Explain about callable bond 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.	[L2][CO3] [L5][CO3]	[3M] [7M]
10	a) What are the risks involved in bonds? b) Explain the relation between bond yields and prices.	[L2][CO3] [L4][CO3]	[5M] [5M]

UNIT –IV
EQUITY VALUATION MODELS

1	What are the discounted cash flow techniques of equity valuation?	[L2][CO4]	[10M]
2	a) Explain dividend discount model for single period. b) Explain dividend discount model for multi- period.	[L3][CO4] [L2][CO4]	[5M] [5M]
3	a) Explain zero-growth model of equity valuation. b) Explain constant-growth model of equity valuation.	[L4][CO4] [L4][CO4]	[5M] [5M]
4	Write short notes on: a) Price- earnings ratio b) Price-book value ratio c) Price-sales ratio	[L2][CO4] [L2][CO4] [L2][CO4]	[3M] [4M] [3M]
5	a) The equity stock of XYZ limited is currently selling for Rs. 30 per share. The dividend expected next year is Rs.2.00. the investors' required rate of return on this stock is 15%. What is the expected growth of XYZ limited if the constant growth model is used? b) The dividend expected next year is Rs.2.00. the investors' required rate of return on the stock is 15%. Growth rate is the expected to be 10%. Calculate the value of the share.	[L4][CO4] [L4][CO4]	[5M] [5M]
6	The share of a certain stock paid a dividend of Rs.2.00 last year. The dividend is expected to grow at a constant rate of 6% in the future. The required rate of return on this stock is 12%. How much should this stock sell for now? Assuming that the expected growth rate and required rate of return remain the same, at what price should the stock sell 2 years hence.	[L3][CO4]	[10M]
7	Explain about: a) Active equity management b) Passive equity management	[L2][CO4] [L2][CO4]	[5M] [5M]
8	a) Explain two stage growth model and H-model of equity valuation	[L4][CO4]	[10M]
9	a) Determine the intrinsic value of an equity share, given the following data Last dividend : Rs.2.00. growth rate for next 5 years : 15% growth rate beyond 5 years : 10% Required rate of return :16% b) Explain Gordon's growth model	[L4][CO4] [L4][CO4]	[5M] [5M]
10	a) 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? b) What are the balance sheet techniques of equity valuation	[L4][CO4] [L4][CO4]	[5M] [5M]

UNIT –V
PORTFOLIO MANAGEMENT

1	What is portfolio? Explain the process of portfolio	[L2][CO5]	[10M]																														
2	a) Describe different phases in portfolio management. b) Explain portfolio construction in detail.	[L3][CO5] [L2][CO5]	[5M] [5M]																														
3	a) What is portfolio diversification? b) What are the measures of portfolio performance?	[L4][CO5] [L4][CO5]	[5M] [5M]																														
4	a) Explain portfolio return with an example? b) Explain portfolio risk with an example?	[L2][CO5] [L2][CO5]	[5M] [5M]																														
5	The return of two assets under four possible states of nature are given below: <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>State of nature</th> <th>Probability</th> <th>Return on Asset 1</th> <th>Return on Asset 2</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>0.10</td> <td>5%</td> <td>0%</td> </tr> <tr> <td>2</td> <td>0.30</td> <td>10%</td> <td>8%</td> </tr> <tr> <td>3</td> <td>0.50</td> <td>15%</td> <td>18%</td> </tr> <tr> <td>4</td> <td>0.10</td> <td>20%</td> <td>26%</td> </tr> </tbody> </table> <p>What is the standard deviation of returns on Asset1? And Asset 2?</p>	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%	[L5][CO5]	[10M]										
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7	a) Explain Capital Asset Pricing Model b) What is efficient frontier?	[L2][CO5] [L2][CO5]	[5M] [5M]																														
8	Write short notes on the following a) CML b) SML	[L4][CO4] [L5][CO4]	[5M] [5M]																														
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10	Compare and contrast Capital Market Line and Security Market Line.	[L4][CO5]	[10M]																														

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 are given below

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 an 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 asset 1? And asset 2?
- What is the covariance between the return on assets 1? And 2?

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

period	return on stocka (%)	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%?

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