

2008

MASTER OF BUSINESS ADMINISTRATION

[Third Semester]

Full Marks : 100

Time : 3 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers whenever necessary

**Write the answers to questions of each Half
in separate books**

(Specialisation : Financial Management)

PAPER—F-305

(Portfolio Management)

FIRST HALF

[Marks : 50]

(Turn Over)

1. Answer any *four* of the following:

5×4

(a) Write a short note on 'Market Risk' associated with a security.

(b) Write a note on diversification in reducing portfolio risk.

(c) Suppose there are 30 securities in a portfolio. What is the requirement of co-variance data and total data under Markowitz model and Sharpe Index model for calculating risk and return of the portfolio?

(d) SAIL and GAIL corporation have the following risk and return status:

$$R_{\text{SAIL}} = 15\% \quad R_{\text{GAIL}} = 17\%$$

$$\sigma_{\text{SAIL}} = 30\% \quad \sigma_{\text{GAIL}} = 25\%$$

$$r_{\text{SG}} = 0.5.$$

Determine the minimum risk portfolio.

(e) Draw the utility curves for risk-loving, neutral and risk-averse investors.

(f) What is unsystematic risk and what are its sources?

2. Answer any *two* questions from the following: 10×2

(a) Calculate portfolio risk from the following information:

The portfolio is consisting of 4 securities and their proportions in the portfolio are: $x_1 = 0.2$, $x_2 = 0.3$, $x_3 = 0.4$, the standard deviation of returns on these securities are (in percentages): $\sigma_1 = 4$, $\sigma_2 = 8$, $\sigma_3 = 20$, and $\sigma_4 = 10$; the correlation coefficients among security returns are: $r_{12} = 0.3$, $r_{13} = 0.5$, $r_{14} = 0.2$, $r_{23} = 0.6$, $r_{24} = 0.8$, $r_{34} = 0.4$.

(b) Suppose there are two securities in the form of Security X and Security Y. Security X has an expected rate of return of 5% and a standard deviation of 4%, while for security Y,

the expected return is 8% and the standard deviation of return is 10%. Show the risk-return profile of the portfolio assuming varying proportion of investment in security *X*. (Take the proportions to be 100%, 75%, 50%, 25% and 0%). Also draw-up the efficient frontier for the portfolio.

(c) You are given following information with respect to six securities :

Security	<i>G</i>	<i>H</i>	<i>I</i>	<i>J</i>	<i>K</i>	<i>L</i>
Return (%)	12	12	18	6	14	12
Risk (%) (Standard deviation)	6	8	18	6	8	9

(i) Which of the securities would you select and why ?

(ii) Is it preferable to invest 60% in security *G* and 40% in security *I* on the assumption that there exists perfect correlation ? Show the risk and return of such portfolio.

[*Internal Assessment* : 10 Marks]

SECOND HALF

[Marks : 50]

3: Answer any *four* questions from the following: 5 × 4

(a) The Security Market Line helps to take buy or sell decisions regarding securities. Give your views.

(b) What do you understand by Formula Plans? Mention its advantages.

(c) Mr. X is an investor. He decides to adopt the constant ratio plan in order to take investment decisions. The initial ratio between the aggressive and conservative components of his portfolio is 1 : 1 . The amounts invested in both are Rs. 15,000 (the market price of a share is Rs. 100). He fixes revision points at ± 0.15 levels.

How will he revise his portfolio composition if the share price increases by 12% and then subsequently decreases by 25%?

(d) Mr. Gautam is considering an investment in the stock of AB Ltd. He expects the stock to give a return of 13% in the next year. AB Ltd.'s beta is 1.25 and the market return is 12.5%. Given that the risk-free rate of return is 8%, should he invest in AB Ltd. ?

(e) "The CML relationship is a special case of the CAPM." Elaborate the statement.

(f) Write a short note on Mutual Funds.

4. Answer any *two* questions from the following: 10 × 2

(a) You are required to

(i) Mention the assumptions of the CAPM.

(ii) Explain the concept of a Capital Market Line.

5 + 5

(b) A mutual fund analyst collected information relating to past performance of five funds and the market index :

<i>Funds</i>	<i>Returns (%)</i>	<i>Standard Deviation (%)</i>	<i>Beta (β)</i>
<i>A</i>	16	25	1.20
<i>B</i>	15	20	0.95
<i>C</i>	9	15	0.85
<i>D</i>	20	16	1.10
<i>E</i>	18	18	1.05
<i>Market Index</i>	15	14	1.00

Based on the above information you are required to rank the funds based on Sharpe Ratio, Treynor Ratio and Jensen's measure. Assume the risk-free rate of return is 8%. Explain the behaviour of rankings. 10

(c) Describe how the Jensen measure of performance is calculated. Explain how each of Jensen, Sharpe and Treynor measures relates excess return and the relevant risk. 6 + 4

[*Internal Assessment* : 10 Marks]

(Specialisation : Marketing Management)

PAPER—M-305

(Advertising and Sales Promotion Management)

FIRST HALF

[Marks : 50]

1. Answer any *four* questions of the following: 5×4

(a) Define Advertisement Agency. Give four examples of Ad agency. What are GRPs (Gross Rating Points)? $3 + 2$

(b) Write short note on Idea Advertising and Surrogate Advertising. $2\frac{1}{2} + 2\frac{1}{2}$

(c) Briefly describe the social and ethical issues of Advertising. $2\frac{1}{2} + 2\frac{1}{2}$

(d) Define Brand Image and Brand Equity. $2\frac{1}{2} + 2\frac{1}{2}$

(e) Does Celeb Ad Blitz really push up sales—
Give an analytical view. 5

(f) What are Top-Down and build up budgeting
approaches? 5

2. Answer any *two* questions from the following: 10×2

(a) Examine the various advertising media
available to a car manufacturing firm in
India. 10

(b) What do you understand by the term advertising
budget of a firm? What are the different ways
of setting advertising budget of a FMCG
firm? 4+6

(c) What is DAGMAR Approach? Who developed
the approach? Describe the approach and write
briefly about the criticism of DAGMAR
Approach. 1+1+8

[*Internal Assessment* : 10 Marks]

SECOND HALF

[Marks : 50]

3. Answer any *four* of the following questions: 5 × 4

(a) How does 'Sales Promotion' differ from 'Advertising'?

(b) State the basic objectives of sales promotion.

(c) Differentiate between "In-pack premium" and "On pack premium" with suitable examples.

(d) "Public Relations is a management function rather than a marketing function." Justify the statement.

(e) Explain the concept of "Crisis Management" in the perspective of marketing.

(f) How is a 'Deal prone consumer' influenced by sales promotion?

4. Answer any *two* questions of the following 10 × 2

(a) Briefly discuss the basic objectives pursued through Trade Oriented Sales Promotion.

- (b) Outline the various schemes of promotions usually adopted for the sales force of a firm engaged in manufacturing consumer goods.
- (c) Explain the role of sales promotion towards influencing consumers' price perception.

[*Internal Assessment* : 10 Marks]
