 M.Phil/2nd Sem/COM/19 (N)

2019

M.Phil.

2nd Semester Examination

COMMERCE

Paper - COM 122

(Investment Management)

[New Syllabus]

Full Marks : 50 Time : 2 Hours

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
Illustrate the answers wherever necessary.

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

(a) Discuss the factors relevant for selecting fixed income avenues. State three basic policies with respect to portfolio rebalancing. 2+3

(b) Explain plain interest-rate swap with a suitable example. 5

[Turn Over]

(c) Distinguish between individual investors and institutional investors according to Kaiser. 5

(d) On 3rd June 2018, futures with series "RL (400), July" is purchased by Mr. P and sold by Mr. Q with an exercise price Rs. 1500. If the initial margin deposit is 20% of the transaction then show what will be the margin deposit.

Settlement price happens to be as follows :

Date	**Settlement Price (Rs.)**	**Date**	**Settlement Price (Rs.)**
6th June	1510	7th June	1550
8th June	1520	9th June	1480
10th June	1500	13th June	1470

Calculate the mark-to-market margin for buyer and seller of futures. 2+3

(e) What is efficient frontier in Capital Asset Pricing Model ? How does it help in taking investment decision ? Discuss with illustration. 1+4

(f) The expected return from security A and B are 18% and 20% and beta of the two securities are 1.5 and 1.7 respectively.

Find out expected return of security C having beta of 2. 5

(g) What is Arbitrage Pricing Theory of Pricing Capital Assets ? What are its assumptions ? 2+3

(h) Discuss in brief the different forms of Efficiency of market. 5

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

(a) What are the characteristics of a hedge fund ? Describe the strategies followed by hedge funds. 5+5

(b) (i) State the features of futures contract.

(ii) Spot price of a dividend paying share is Rs. 54 per share. A dividend of Rs. 1 per share and Rs. 2 per share is expected at the end of second month and third month respectively. If risk free rate is 18% p.a. with continuous compounding, then calculate fair value of one month, two and three month futures. 4+6

(c) (i) State Fama-French Five Factor model of capital asset pricing.

[*Turn Over*]

(ii) What are the assumption of the model ?

(iii) Explain each factor with its significance.

2+4+4

(d) (i) What are the techniques that could detect randomness of data ?

(ii) From the following data set how would you detect efficiency of the data through (1) run test (2) Serial correlation.

+6, +8, –2, +1, –3, –2, –4, +4, –7, –3, –3, –5, +2, +3, –2, –4, +5, +3

State the procedures. No need of computation. 2+4+4

[Internal Assessment : 10 marks]