

MAY 2016

**P/ID 77522/PMEF/  
PMBF2/PMSF2/  
MBNF2**

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Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. What are the limitations of equity valuation approach?
2. What are the features of fundamental analysis?
3. State the benefits of equity analysis.
4. What are the important features of futures?
5. Explain the different stages involved in portfolio management.
6. What factors should an investor consider while making investment decisions?
7. What are the various investment alternatives available to investors?
8. What are the components of investment risk?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. How would you assess the present value of a bond? Explain with examples the various bond value theorems.
10. Explain the significance of economic forecasting in fundamental analysis.
11. On 1<sup>st</sup> April, 2010 the equity share of Arun stood at ₹ 469. The traded options market in the shares quotes May ₹ 500 puts at ₹ 47. If the share price falls to ₹ 450, how much profit, if any, would the investor make? What will the option be worth if the share price moves up to ₹ 510?
12. Explain the interim exercise settlement for option contracts.
13. Enumerate the factors which necessitate the portfolio revision.
14. Sugam Co. currently paid an annual dividend of ₹ 7 per share. Earnings for the same year were ₹ 14 per share. The required return of equity with similar risk is 12%. Dividends are expected to grow 10% per year indefinitely. Calculate Sugam's normal price-earning ratio.

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15. Explain the important mutual fund schemes available in India. What are its features?
16. Distinguish between fundamental analysis and technical analysis.

PART C — (1 × 20 = 20 marks)

Compulsory.

17. As an investment advisor what features would you suggest to be included in the investment portfolio of an investor.
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