(SF)

MBA 16 – A

III Semester M.B.A. Examination, August 2011
(Elective – I) (Finance)
INVESTMENT MANAGEMENT

Time : 3 Hours   Max. Marks : 75

Instructions : *Question paper is divided into* ***three*** *groups.*
Each *group is of* ***25*** *marks.*
Figure to the ***right*** *in bracket indicates mark.*
Assume *suitable data* ***if necessary****.*

GROUP – A

Answer **any three** questions (Question No. **1** is **compulsory**).

1. Arun makes a deposit of Rs. 10,000 in HDFC bank which pays 10% interest compounded for 6 years calculate the amount to be calculated after six years. **(5)**

2. Explain the need of investment and also explain the various features of investment decisions. **(10)**

3. Explain MICHAEL PORTER's MODEL for analyzing the competitive position of a firm. **(10)**

4. What do you mean by Capital Budgeting. What are the various methods or techniques of capital budgeting ? **(10)**

5. What do you mean by risk and explain the risk involved in cash flow projection. **(10)**

GROUP – B

Answer **any three** questions (Question No. **6** is **compulsory**).

6. Difference between primary data and secondary data. **(5)**

7. What do you mean by the financial break even and differentiate between the operating and financial leverage ? **(10)**

8. What do you mean by risk and explain the risk involved in cash flow projection ? **(10)**

P.T.O.

9. The following are the cash inflows of M/S fortunate Stars Ltd.

Years	**Cash inflows**
Year 1	10,000
Year 2	5,000
Year 3	15,000
Year 4	8,000
Year 5	6,000

The discount rate is 10%. Calculate the net present value of the cash inflows. **(10)**

10. What do you mean by sensitivity analysis and what are the merits and demerits of sensitivity of analysis ? **(10)**

GROUP – C

All questions are **compulsory**.

11. Fill in the blanks (**Each** question carries **2** marks).

i) Possibility of incurring a loss in financial transaction is called as ______________

ii) PEST stands for ______________

iii) ______________ is stream of equal annual cash flow.

iv) ARR is also called as ______________

v) ______________ signifies the event of elasticity in profits for a change in sales.

12. Multiple choice question. (**Each** question carries **2** marks).

i) NPV is defined as ______________

a) P.V of cash outflow – P.V of cash inflow

b) P.V of cash inflow – P.V of cash outflow

c) P.V of cash outflow + P.V of cash inflow

d) P.V of cash inflow + P.V of cash outflow

ii) Inflation means ______________

a) Rise in income b) Rise in prices

c) Fall in prices d) Fall in income

iii) Time series projection model is model for ______________

a) Capital budgeting b) Forecasting

c) Demand estimation d) Supply estimation

iv) Decision rule for P.I is ______________

a) Accept the project if P.I is positive

b) Accept the project if P.I is negative

c) Accept the project if P.I is less than 1

d) Accept the project if P.I is greater than 1

v) The process of going from today's value to future value is called as ______________

a) Discounting b) Annualizing

c) Compounding d) None of these

13. **True** or **false**. (**Each** question carries **1** mark)

i) Price inflation destroys the purchasing power of investment.

ii) Preference capital is hybrid between the equity capital and debt capital.

iii) Capital recovery factor is the ratio of constant annuity to future value of receiving that annuity.

iv) IRR is not a capital budgeting technique.

v) Dividend on equity capital is not a tax deductable expense.

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