

05/01/2013

**T.Y. Bcom – B. M.S.**

**VI Semester**

**INVESTMENT ANALYSIS & PORTFOLIO MANAGEMENT**

**I Unit Test – 20 Marks**

Note: Attempt Any Two Questions which carries 10 marks each

Q.1 What do you mean by Investment? What are the Money market instruments available in India, explain any five in detail? (10)

Q. 2 The rate of return on stocks X & Y under different states of the economy are given below: (10)

	<b>Recession Period</b>	<b>Normal Period</b>	<b>Boom Period</b>
Probability of occurrence	0.15	0.50	0.35
Rate of Return on stock RIL (%)	40	30	20
Rate of Return on stock INFY (%)	20	30	40

- Calculate the expected return and standard deviation of return on both the stock
- If could invest in either stocks RIL or stock INFY, but not in both, which stock would you prefer?
- What would be your decision if the probability changes to 30 : 40 : 30.

Q. 3 X Limited is considering investing in a Project requiring capital outlay of Rs. 20,00,000. Forecast for Annual income before tax is as follow: (10)

Year	1	2	3	4	5
Profit Before Tax and after Depreciation	20,00,000.	20,00,000.	16,00,000	16,00,000	8,00,000

Depreciation is 20% on Straight Line Method. Tax Rate is 50 %.

Evaluate the project on the basis of Net Present Value taking 14% discounting factor & advice whether X Limited should invest in the project or not.