**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FOURTH TRIMESTER (Batch 2021-23)**

**END TERM EXAMINATION, NOV-2022**

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| Course Name | **Investment Management** | Course Code | **40222** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

*1. There are five questions in the question paper.*

*2. All questions are compulsory.*

*3. Students are supposed to save their answers in an excel workbook with their names and Roll nos.*

*4. Each workbook will comprise five worksheets named Ans 1, Ans 2, Ans 3, and Ans 4 & Ans 5*

*5. The exam will be a closed-book examination. Students can use scientific calculators, financial calculators, and MS Excel. Internet & Intranet is NOT allowed for the students.*

*6. Please state your assumptions clearly (if any) for each question.*

**Questions.1 (Marks 8)**

Refer to the “Data set” in the excel file. It consists of daily prices of 4 stocks, NIFTY 500, and a 10 Year GOI Bond yield.

Comment on the Risk, Return, and Sharpe ratio of the equity assets

**Questions.2 (Marks 8)**

Refer to the “Data set” in the excel file. It consists of daily prices of 4 stocks, NIFTY 500 and a 10 Year GOI Bond yield.

Comment on the Market and Unique Risk of all Individual Stocks.

**Questions.3 (Marks 12)**

Refer to the “Data set” in the excel file. It consists of daily prices of 3 stocks, NIFTY 500, and a 10 Year GOI Bond yield.

If your Risk Aversion score is 4, how will you divide your investments among these three chosen stocks and GOI Bond?

**Questions.4 (Marks 6)**

Ziang ltd. has a beta of 1.1. The risk-free rate is 5.6% and the equity risk premium is 6%. The current dividend of $2.00 is expected to grow at 5 % indefinitely. The price of the stock is $40.

**4.1** Estimate the value of the company’s stock (3 marks)

**4.2** Determine the dividend growth rate that would be required to justify the market price of $40. (3 marks)

**Questions.5**  **(Marks 6)**

Answer the following questions (show excel formula/ manual computation)

**5.1** What is the price of a 20-year bond paying a 10% coupon semiannually at a YTM of 11%, redeeming at Rs. 1000 par value? (2 marks)

**5.2** What is the YTM of a 10-year bond paying a 7% coupon semi-annually, which is issued at Rs. 920? (2 marks)

**5.3** Given the particulars of a Bond: Coupon = 8%, YTM =8%, Maturity = 2 years Par = $100

Show the effect of the change in bond price if the economy interest rates increase by 0.5%. (2 marks)