## M.B.A. (Semester-III) Examination

## IṄVESTMENT SCIENCE

## Paper—MBA/3105/F

Time : Three Hours]
[Maximum Marks : 70
Note :-(1) Attempt ALL questions.
(2) Figures to the right indicate marks.
(3) Use of scientific calculator and time value factor table is permitted.

## SECTION-A

1. (A) What are the challenges and opportunities for small investors in India considering the current Indian investment scenario ?
(B) Discuss the risk-return relationship involved in an investment. Distinguish between systematic risk and unsystematic risk.

## SECTION-B

2. (A) Compare and comment on the appropriateness of NPV and IRR for the evaluation of investment proposals.
(B) Ms. Anushka has two investment proposals A and B. Both the projects require an initial investment of Rs. 20,000 each. Suggest her the better project for investment on the basis of NPV. The expected inflows are as follows and the discounting rate is $7 \%$ :

| Year | Cash Inflow (Rs.) |  |
| :---: | :---: | :---: |
|  | $\mathbf{A}$ | $\mathbf{B}$ |
| 1 | 4000 | 8000 |
| 2 | 4000 | 6000 |
| 3 | 4000 | 2000 |
| 4 | 8000 | 2000 |
| 5 | 2000 | 2000 |
| 6 | - | 2000 |
| 7 | - | 2000 |
| 8 | - | 2000 |

OR
(C) What is the concept of time value of money ? Fxplain its importance in investment decisions.
(D) Mr. Krishna invested Rs. $5,00,000$ for 7 years at interest rate of $12 \%$ p.a. Calculate the maturity value, if compounding is done :
(i) Semi-Annually
(ii) Quarterly.
3. (A) Distinguish between equity shares and preference shares.
(B) Ansh Limited paid dividend of Rs. 80 per share this year, which is expected to grow at $10 \%$ p.a., perpetually: What will be the value of the share if the capitalization rate is $15 \%$ ?

## OR

(C) What are the assumptions of Walter's Dividend valuation model?
(D) Payal company Ltd. carns Rs. 6 per share, capitalization rate is $10 \%$ and return on Investment is $20 \%$. If the dividend paid is Rs. 1.80 per share, what will be the price of the share as per Walter's Dividend Valuation Model ? Is this the optimum payout ratio as per Walter '

## SECTION-C

4. (A) Explain the role and functions of money market in India.
(B) Discuss the role of money market in the development of an economy.

## OR

(C) "Stock market is the leading indicator of an economy". Comment on the statement in context of Indian economy.
(D) What is a stock index ? Explain the construction and significance of Nifty and Sensex ?

## SECTION-D

5. Mr. Gokulesh recently purchased a bond with a Rs. 1,000 face value, at $10 \%$ coupon rate. and four years to maturity. The bond makes annual interest payments, the first to be received one ycar from today. Mr: Gokulesh paid Rs. 1,032.40 for the bond.
(i) What is the bond's YTM?
(ii) It the bond can be called two years from now at a price of Rs. 1,100 what is its YTC?
