Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Principles of Investment Management | **Semester: IV**
Programme: BBA(AIS) | **C. Code: FINC 2015**
Time: 03 Hours | **Max. Marks: 100**
Instructions: Attempt all questions

SECTION A

		Marks	CO
Q.1.	Capital Market Line is firstly initiated by a) Mohsin b) Linter c) Markowitz d) William Sharpe	**2**	**2**
Q.2.	Most favourable portfolio is proficient portfolio with the a) lowest risk b) highest risk c) highest utility d) least investment	**2**	**1**
Q.3.	Expected worth is the a) inverse of standard deviation b) correlation between a security c) same as discrete probability distribution d) weighted average of all possible outcomes	**2**	**1**
Q.4.	Ambiguity introduced by way by which organization finances its investments is a) country risk b) liquidity risk c) financial risk d) business risk	**2**	**1**
Q.5.	If generally interest rates in nation increase, a corporate bond with a fixed interest rate will usually a) increase in value b) remain unchanged c) decrease in value.	**2**	**3**

	d) be returned to corporation.		
Q.6.	Liquidity risk is: a) is risk investments bankers face b) is lower for small OTC c) is risk associated with secondary market transactions d) increases whenever interest rates increases	**2**	**2**
Q.7.	Bondholders usually accept interest payments each a) 1 year b) six months c) 2 months d) 2 years	**2**	**3**
Q.8.	A corporate bond is a corporation's write undertaking that it will refund a specific amount of money plus a) premium b) interest c) nothing d) security	**2**	**1**
Q.9.	A price weighted index is an arithmetic mean of a) future prices b) current prices c) quarter prices d) none of these	**2**	**1**
Q.10.	Financial hazard is most related with a) use of equity financing by corporations b) use of debt financing by corporations c) equity investments held by corporations d) debt investment held by corporations	**2**	**2**
SECTION B			
		Marks	**CO**

Q.1.	There is a 50% probability that the Plum Company's sales will be $10 million next year, a 20% probability that they will be $5 million, and a 30% probability that they will be $3 million. a. What are the expected sales of Plum Company next year? b. What is the standard deviation of Plum's next year's sales?	**15**	**2**
Q.2.	ABC Company has a beta of 1.2. The expected risk-free rate of interest is 4% and the expected premium for the market as a whole is 5%. What is the expected return for ABC Company stock?	**15**	**1**
SECTION-C			
		Marks	**CO**
Q.1.	What is Arbitrage Pricing Theory (APT).	**20**	**2**
Q.2.	Explain the investment management process.	**10**	**1**
Q.3.	Explain different types of risks?	**20**	**3**

Name:	
Enrolment No:	UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Principles of Investment Management — **Semester: IV**
Programme: BBA(AIS) — **C. Code: FINC 2015**
Time: 03 Hours — **Max. Marks: 100**
Instructions: Attempt all questions

SECTION A

		Marks	CO
Q.1.	Standard deviation determine a) systematic risk of a security b) unsystematic risk of security c) total risk of security d) premium of security	**2**	**1**
Q.2.	Trustee is a self-governing organization that operates as bondholders a) partner b) guardian c) broker d) representative	**2**	**1**
Q.3.	In order to settle on compound growth rate of an investment over period, an investor determine the a) geometric mean b) calculus mean c) arithmetic mean d) arithmetic median	**2**	**1**
Q.4.	Total portfolio hazard is a) equal to systematic risk plus diversifiable risk b) equal to systematic risk plus unavoidable risk c) equal to avoidable risk plus diversifiable risk d) equal to systematic risk plus no diversifiable risk	**2**	**2**

Q.5.	Non-systematic risk is furthermore identified as a) no diversifiable risk b) market risk c) random risk d) company specific risk	**2**	**2**
Q.6.	Investors should be agreeing to invest in riskier investments merely a) if return is short b) if there are no safe alternatives except for holding cash c) if expected return is adequate for risk level d) if there are true speculators	**2**	**3**
Q.7.	Hold two securities as an alternative of will not decrease hazard occupied by an investor if two securities are a) perfectively positive correlated b) perfectively negative correlated c) no correlation d) all of answer correct	**2**	**3**
Q.8.	Markowitz efficient hypothesis initiated in a) 1958 b) 1959 c) 1961 d) 1960	**2**	**3**
Q.9.	A closed-end fund is a mutual fund in which shares issue just when fund is a) organized b) unorganized c) copied d) random behaviour showing	**2**	**2**
Q.10.	Which type of market efficiency declares that current security prices totally reflect all information, equally public and private a) Weak b) Semi-strong c) Strong d) none of these	**2**	**2**

SECTION B

		Marks	CO
Q.1.	The covariance of the returns on the two securities, A and B, is -0.0005. The standard deviationof A's returns is 4% and the standard deviation of B's returns is 6%. What is the correlationbetween the returns of A and B?	**10**	**2**
Q.2.	Company X has a beta of 1.45. The expected risk-free rate of interest is 2.5% and the expected return on the market as a whole is 10%. Using the CAPM, what is ABC's expected return?	**10**	**1**
Q.3.	Define Investment management and different aspect of it.	**10**	**2**

SECTION-C

		Marks	CO
Q.1.	Explain the difference between systematic and unsystematic risk.	**20**	**2**
Q.2.	Why investment management is important? Comment.	**10**	**1**
Q.3.	Explain types of risk?	**20**	**3**