

KARACHI UNIVERSITY BUSINESS SCHOOL
University of Karachi
FINAL EXAMINATION, DECEMBER 2010: AFFILIATED COLLEGES
PORTFOLIO INVESTMENT MANAGEMENT: BA (H) – 623
BS – VIII

Date: January 11, 2011

Max Marks: 60

Max Time: 3 Hours

Instruction: Attempt any five questions, all questions carry equal marks.

Q#1: Solve the followings:

- (a) Calculate the market price of a \$100 par value bond that is paying 12% interest over 6 years until its maturity, if interest is payable annually. The required rate of yield is 14%.
- (b) Expected return on an equity share is 12%, divided growth rate 5% per annum, currently dividend paid \$1.2; calculate the Current market price of the equity share?
- (c) Ten annual payments of \$5000 are made into a deposit account that pays 8% interest per annum. What is the future value of this at the end of 10 years?
- (d) ABC Company has a fund size of \$20 million dollar, spending rate 4% per annum, fund management cost is zero, and inflation rate is 8% per annum? Calculate estimated rate of return.

Q#2: Describe the trading mechanics of a security?

- Q#3:** a- How is an organization using asset management in its decision making and resource allocation?
b- Who are primary users of asset management?

Q#4: Explain the Capital Asset Pricing Model?

Q#5: As an investment consultant? What features would you suggest to be included in the investment bunch of a client? Explain these features briefly?

Q#6: Based on the current theoretical and empirical development of Arbitrage Price Theory (APT), do you think that this approach offers a practical alternative to the Capital Asset Pricing Model (CAPM) for individual investors?

Q#7: Explain any **four** of the following:

- 1) Features of Preference Shares
- 2) Types of security market
- 3) Mutual Funds
- 4) Asset Beta
- 5) Venture Capital
- 6) Yield to call

End of Paper