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501

Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
BUSINESS ADMINISTRATION
Management Concepts and Functions
(Choice Based Credit System) (Optional)

Time : 3 Hours

Max. Marks : 70

SECTION – A

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

1. "Management is the co-ordination of all resources through the process of planning, organising, staffing, directing and controlling in order to attain the stated objectives".
Comment.

SECTION – B

(5×8=40)

Note : Answer **any five** questions. **Each** question carries **eight** marks. Answer to the questions **should not** exceed **five** pages.

2. Explain the functions of management.
3. Explain the steps involved in managerial planning process.
4. Describe the steps involved in the process of rational decision making.
5. Elaborate the role of HR manager in modern industrial organization.
6. Explain the stages of the product life cycle using a diagram.
7. What are the functions of finance division in a manufacturing organization ?
8. Examine the various sources of finance for a company form of organization.
9. Define sales promotion. What are the various techniques of sales promotion used by manufacturing organizations in India ?

P.T.O.



SECTION – C
(Compulsory)

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

10. Bengal Architects Inc. employed a dozen architects and a number of draughtsmen. While architects had flexibility in their work schedule and moved in and out of the office, the draughtsmen worked on a rigid schedule and their work required a great deal of concentration. However, to break their monotony, two fifteen minute coffee breaks, at 10 a.m. and 3 p.m. respectively, were given.

The Administration Manager, Sunil Bannerjee, was alarmed to note that these coffee breaks were extended in some cases to even thirty minutes. Mary Lee, a time-study specialist was asked to figure out the number of man-hours per year that could be saved if the draughtsmen would follow a strict fifteen-minute break. Mary's report indicated that approximately 800 man-hours per year could be saved such a measure.

The abuse of coffee break was the main topic at a discussion between the Administration Manager, Mr Bannerjee and the heads of departments. Facts and figures were presented at this meeting to show in what manner the coffee break was abused. A consensus was arrived at during this meeting: instead of taking a stern action, the heads must talk to the draughtsmen individually or collectively and rectify the situation.

The time-study specialist continued her work and reported that the extended coffee breaks were still the rule rather than the exception. The discussion between the heads and the draughtsmen had little effect in controlling the time allowed for coffee breaks. At this point, The Admin. Manager, Mr. Bannerjee decided to issue a memo to the department heads, asking them to remind the draughtsmen of the serious consequences of the coffee break abuse. According to the memo, any draughtsman still taking an extended coffee break would be given a written reprimand and three such reprimands would mean dismissal.

Questions

- 1) What is the purpose of a coffee break ?
 - 2) Do you think the action taken by Mr. Bannerjee, the Admin. Manager regarding the threats of reprimand and dismissal is the right approach.
 - 3) What would have been the right approach to handle such a problem ?
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502

**Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Management Accounting**

Time : 3 Hours

Max. Marks : 70

SECTION – A

(2×10=20)

Note : Answer any two questions. Each question carries 10 marks. Answer to each theory question should not exceed six pages.

1. 'Management accounting differs in several ways from the financial reporting process'. Explain.
2. What are budgets ? How budgets are useful in running business organizations ?
3. Discuss the mechanism involved in preparing the funds and cashflow statement.

SECTION – B

(3×12=36)

Note : Answer any three questions. Each question carries 12 marks. Answer to each theory question should not exceed six pages.

4. What are relevant costs ? Exports limited intends to ship to USA 10,000 units of a product, which are produced in excess. Identify the costs that are relevant and irrelevant.
5. How do standard costs are useful in planning and controlling of manufacturing costs ? Explain.
6. X limited produces three products, namely A, B and C, which use the same raw material. 1,00,000 kgs of the raw material are available and further purchase is difficult in near future. The selling price and other cost details of the three products are furnished below :

P.T.O.



	A	B	C
Selling price per unit (Rs.)	25	20	18
Variable cost per unit (Rs.)	20	12	6
Raw material required per unit (kgs)	2	2.5	3

Market can absorb only 10,000 units of Product – C and as per government rules the company has to produce a minimum quantity of 8,000 units of Product A and 12,000 units of Product B. The remaining raw material can be used to produce the more profitable product.

The firm's fixed operating costs are Rs. 4,00,000.

Determine the sales mix which gives the highest amount of profit to the firm.

7. Management of a company is not happy with its existing fixed budget prepared for 60% level of activity in view of wide fluctuations in actual levels of activity. The budgeted costs at 60% level of activity are given below :

Elements of Costs	60 % Capacity (Rs.)
Material	24,000
Labour	18,000
Factory Overheads	20,000
Office Overheads	12,000
Selling and Distribution Overheads	16,000
Total	90,000
Number of units produced	12,000

Upon analysis of the behavior of individual costs at 60% activity level, the management finds that material and labour are variable costs; factory overheads variable to the extent of 60% ; office overheads variable to the extent of 20% and selling and variable overheads variable to the extent of Rs. 6,000.

Prepare a flexible budget for 50%, 60%, and 70% levels of activity and compute the cost per unit.



8. From the following details prepare Balance Sheet with as many details as possible.

Current Ratio	1.75 : 1
Liquid Ratio	1.25 : 1
Stock Turn Over Ratio (Closing Stock) is	9 times
Gross Profit Ratio	25%
Debt Collection period	1.5 months
Reserve to capital	0.2:1
Turn Over to Fixed Assets	1.2 times
Capital Gearing Ratio	0.6 : 1
Fixed Assets to Net Worth	1.25 : 1
Sales for the year (Rs.)	12,00,000

SECTION – C

(1×14=14)

(Compulsory)

9. A toy manufacturer earns an average net profit of Rs. 3 per piece in a selling of Rs. 15 by producing and selling 60,000 pieces at 60% of the potential capacity. Composition of his cost of sales is :

Direct Material	Rs. 4
Direct Wages	Re. 1
Works Overhead	Rs. 6 (50% fixed)
Sales	Re. 1 (25% varying)

During the current year, he intends to produce the same number but anticipates that :

- His fixed charges will go up by 10%
- Rates of direct labour will increase by 20%
- Rates of direct materials will increase by 5%
- Selling price cannot be increased.

Under these circumstances, he obtained an order for a further 20% of his capacity. What minimum price will you recommend for accepting the order to ensure the manufacturer an overall profit of Rs. 1,80,500.

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503

**Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Human Resource Management**

Time : 3 Hours

Max. Marks : 70

**SECTION – A
(Compulsory)**

(1×15=15)

Note : Answer to the question should not exceed **six** pages.

1. Discuss the emerging roles of HR managers in new age organisations.

SECTION – B

Note : Answer **any five** questions. **Each** question carries **eight** marks. Answer to the question should **not** exceed **five** pages. **(5×8=40)**

2. Write an explanatory note on 'tomorrow's HR today'.
3. Explain the recruitment process and essentials of a good recruitment policy.
4. Discuss the basic concepts of compensation.
5. Describe various employee benefits and services extended to employees in software organisations.
6. Explain the causes of accidents and discuss its remedies for elimination of accidents.
7. Discuss various techniques of training.
8. Explain the status of collective bargaining in India.
9. "Performance Appraisal in business organisations is hated by every one". Discuss with illustrations.

P.T.O.



SECTION – C
(Compulsory)

(1×15=15)

Note : Answer to the question should not exceed **six** pages.

10. Case :

Prashanth who was the chief executive of a fortune company before he took up sales evangelism with gallium says that barely 3.00 percent of the workforce in the US really has the ability to sell anything. In a population where 10 percent is doing some kind of selling, which is an enormous mismatch between sales jobs and the availability of potential high performers. Prashanth is unhappy with the bottom driven culture in most companies, where managers spend more time with losers and weak sales performers instead of focusing on their stars and winners. Better sales performance is not about better training or imparting skills, but it is due to inherent skills in people and motivating them. When Prashanth consults with companies that are keen on upping sales performance the last thing he does is offer a generalized training program for all recruits. Rather he focuses on discovering the best performers within the existing sales group, identifies the unique talents that makes them successful at selling and then devices system to find more of the winning types that the mediocre. A skill on the other hand is something that can be taught and better with practice. Only people with great selling talents become great salesmen. Skills can add to talent they cannot substitute for it, if you do not have it.

Analyze the case in your own words using appropriate assumptions wherever you feel it is necessary to do so. Comment on Prashanth's approach to HR Management. Do you think his approach right ? Why ? Explain.

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3 H 1

Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Human Resource Development

Time : 3 Hours

Max. Marks : 70

SECTION – A

(Compulsory)

Note : Answer to the question should **not** exceed **six** pages.

(1×15=15)

1. Explain the emerging trends and perspectives in HRD culture and climate with examples.

SECTION – B

Note : Answer **any five** questions. **Each** question carries **eight** marks. Answer to the question should **not** exceed **five** pages.

(5×8=40)

2. What is HDI ? Explain the process of developing HDI.
3. Bringout the importance of developmental supervision.
4. Explain learning theories used in human resource development.
5. Elaborate modern techniques of performance appraisal.
6. Explain career planning and development as a subsystem of HRD.
7. What is the role of HR department in improving quality of work life ? Explain.
8. Compare and contrast HRD and TQM.
9. Explain the approaches to manage organizational change and development.

P.T.O.



SECTION – C

(Compulsory)

Note : Answer to the question should **not** exceed six pages.

(1×15=15)

10. Case Analysis :

Microelectronics , a California-based Electronics Defense Contractor, has enjoyed a smooth growth curve over the past five years, primarily because of favourable defense funding during the Reagan administration's to build-up U.S Military Defenses. Microelectronics has had numerous contacts to design and develop guidance and radar systems for military weaponry.

Although the favourable finding cycle has enabled Microelectronics to grow at a steady rate, the company is finding it increasingly difficult to keep its really good engineers. Based on extensive turnover analyses conducted by Ned Jackson, the Human Resources Planning Manager, Microelectronics problem seems to be its inability to keep engineers beyond the "critical" five years point. Apparently , the probability of turnover drops dramatically after five years of service. Ned's conclusion is that Microelectronics has been essentially serving as an Industry College. Their staffing strategy has always been to hire the best and the brightest engineers from the best Engineering Schools in the United States.

Ned believes that these engineers often get lost in the shuffle at the time they join the firm. For example, most (if not all) of the new hires must work on a non-classified projects until cleared by security to join designated major project. Security clearance usually takes anywhere from six to ten months. In the meantime, the major project has started, and these young engineers frequently miss out on its design phase, considered to be the most creative and challenging segment of the programme. Because of the nature of the project work, new engineers often have difficulty learning the organizational culture-such as who to ask when you have a problem, what the general dos and don'ts are and why the organization does things in a certain way.



After heading a task force of human resources professional within Microelectronics, Ned has been designated to present to the top management a proposal designed to reduce the turnover among young engineering recruits. The essence of his plan is to create a mentor programme except that in this plan the mentors will not be the seasoned greybeards of Microelectronics, but rather those engineers in the critical three to-five year service window, the period of highest turnover. These engineers will be paired with new engineering recruits before the recruits actually report to Microelectronics for work.

According to the task force, the programme is two-fold :

- 1) It benefits the new comer by easing the transition into the company, and
- 2) It helps the three-to-five year service engineers by enabling them to serve an important role for the company. By performing the mentor role, these engineers will become more committed and hence less likely to leave.

As Ned prepared his fifteen-minute presentation for top management, he wondered if he had adequately anticipated the possible objections to the programme in order to make an intelligent defense of it. Only time would tell.

Questions :

- a) Identify the salient issues from HR point of view for this case.
 - b) If you were to study this turnover problem, how would you conduct a needs analysis or evolve a counseling programme ?
 - c) What are the causes of dissatisfaction and turnover in Microelectronics ?
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3 H 2

**Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Industrial Relations**

Time : 3 Hours

Max. Marks : 70

**SECTION – A
(Compulsory)**

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

1. "IR is a spark between enlightened managers and motivated work force co-exist with large-scale violence leading to destruction and closures". Critically evaluate the statement with practical examples.

SECTION – B

(5×8=40)

Note : Answer **any five** questions. **Each** question carries **eight** marks. Answer to the question should **not** exceed **five** pages.

2. Explain the determinants and levels of workers participation in management.
3. Elaborate the procedure for settlement of industrial disputes in India.
4. Bring out emerging trends in union-management relations.
5. Explain IR practices in Indian industries with examples.
6. Explain the procedure of collective bargaining. How CB can be made effective in IR ?
7. Give an explanatory note on labour policy in India.
8. Discuss the main conventions and recommendations made by ILO to raise the standards of living of workers.
9. What are the major challenges faced by IR managers in the era of globalization ? Explain.

P.T.O.



SECTION – C
(Compulsory)

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

10. Case analysis :

Mr. Chopra was in a fix. The Convenience Corporation which he headed provided the middle-class house wives with ready to cook storage food. The food involved minor preparations with a very small preparation time. It came in versions for Noodles/chicken/local vegetables, etc. However, with the entry of the multinationals the market share started declining, more because of the financial muscles shown by these giants by gross price undercutting.

Convenience Corporation employed around 250 workers in the skilled and semiskilled grade. Due to a decrease in the market share Mr. Chopra approached the recognized union with a request to cut down the production cost. The union complied but with resistance. However, obsolete machinery and equivalent quality was no match for the attractive advertisement campaigns put up by the competitors.

As a desperate attempt Mr. Chopra requested the union to cut the monthly wages by Rs. 250/- per month. This, as expected, was received with hostile response. The union simply refused to comply with the request. The situation worsened and finally the union went on a strike. The strike continued for about two months which actually brought the organisation into real hard times. Finally Mr. Chopra threatened to shut down the organisation and started looking for a buyer.

This did not go unnoticed and union called a full body meeting. The meeting was hovering around the theme that some wage cutting was better than no wages and it was passed that a cutting of Rs. 200/- per month will be a more reasonable cutting. Though the suggestion was difficult to be accepted but was finally accepted.

As the union leaders were entering the office their attention was drawn to a circular which announced 20% rise in the salaries of the senior management. They cannot be allowed to leave the organization for their presence is a must for the organisations' existence, was the reason.

Questions :

- 1) What effect the management action will have for the workers returning to work after a three month strike ? For the next negotiations explain the status.
 - 2) Are unions successful in their role of keeping a vigil eye upon management ? Discuss.
 - 3) Is the stand of management to give a raise to managers justified ? Explain.
 - 4) As the President, what will you like to do for this case ?
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3 M 1

Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Marketing Research and Consumer Behaviour

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A
(Compulsory)

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

1. "Marketing research is undertaken to guide managers in the analysis of marketing problems". Critically examine the statement.

SECTION – B

(5×8=40)

Note : Answer **any five** of the following questions. **Each** question carries **8** marks. Answer to the question should **not** exceed **five** pages.

2. Explain the buying characteristics that influence consumer behaviour.
3. Describe briefly the various methods of collecting primary data.
4. Explain the role of family life cycle in Consumer behaviour. Illustrate your answer with examples.
5. Explain in detail the process of marketing research.
6. Explain the buying decision making process in case of High Involvement products.
7. Critically evaluate Howard Shett model of consumer behaviour.

P.T.O.

3 M 1



8. How can an understanding of attitudes be useful in designing marketing strategies ? Explain with examples.
9. Explain the key factors which are to be kept in mind while making a written research presentation.

**SECTION – C
(Compulsory)**

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

10. As a marketing consultant, you were retained by the WD Company to design a study investigating how families make vacation decisions. Whom, within the family, would you interview ? What kind of questions would you ask ? How would you assess the relative power of each family member in making vacation related decisions ?
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3 M 2

**Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Promotion and Distribution Management**

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all Sections.

**SECTION – A
(Compulsory)**

(1×15=15)

Note : Answer to the question should **not** exceed **six** pages.

1. Critics of the percentage – of-sales method of budget setting contend that this method “reverses the advertising and sales relationship” and that it “treats advertising as an expense rather than an investment”. Explain what these arguments mean.

SECTION – B

(5×8=40)

Note : Answer **any five** of the following questions. **Each** question carries **8** marks. Answer to the question should **not** exceed **five** pages.

2. Explain the characteristics of a good copy.
3. What do you mean by media mix decision ? How do you select an appropriate media ?
4. Explain the personal selling process.
5. Describe briefly the various steps in preparing a sales budget.
6. Distinguish between pre-testing and post-testing. What are the merits of each ?

P.T.O.



7. Discuss the importance of channels of distribution in the marketing of goods.
8. Why is evaluation of sales performance important ? Explain.
9. Explain the changing face of retail structures in the developing world, particularly in the context of India.

SECTION – C
(Compulsory)

(1×15=15)

Note : Answer to the question should not exceed six pages.

10. As a distribution manager of a new entrant for industrial hand tools, you are assigned the task to study and recommend appropriate channels of distribution for the Indian market. What factors would you consider before designing the channel strategy ? Explain clearly giving your argument in support of the view point.
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3 F 1

**Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Strategic Financial Management and Policy**

Time : 3 Hours

Max. Marks : 70

SECTION – A

(2×10=20)

Note : Answer any two questions. Each question carries 10 marks. Answer to the question should not exceed six pages.

1. Explain the basic financial management decisions.
2. Discuss the stages in venture capital financing.
3. Describe the techniques of corporate tax planning.

SECTION – B

(3×12=36)

Note : Answer any three questions. Each question carries 12 marks. Answer to the question should not exceed six pages.

4. Explain the sources of new project ideas.
5. A firm sells its products for Rs. 100 per unit, has variable costs of Rs. 50 per unit and fixed operating costs of Rs. 50,000 per year. The firm has Rs. 1,00,000, 10 percent debentures and 5000 equity shares outstanding. The firm is in 50 percent tax bracket.
 - a) Calculate the operating leverage, financial leverage for the sales level of 2000 units.
 - b) Calculate the percentage change in earnings per share if sales increased by 50 percent.

P.T.O.



6. A company belongs to a risk class of which the appropriate capitalization rate is 10 percent. It currently has 25,000 outstanding shares selling at Rs. 100 each. The firm is contemplating the declaration of dividend of Rs. 5 per share at the end of the current financial year. The company expects to have a net income of Rs. 2,50,000 and has a proposal for making new investments of Rs. 5,00,000. Show that under the MM assumptions, the Payment of dividends does not affect the value of the firm.
7. A company's expected net operating income (EBIT) is Rs. 50,000. The company has 10 percent Rs. 2,00,000 debentures. The equity capitalization rate (k_e) of the company is 12.5 percent. Compute the value of the firm assuming NI approach on Capital structure. If the firm increase the debt amount to Rs. 3,00,000 or decrease the debt amount to Rs. 1,00,000, what is the effect of a change in financing mix on the firm's overall cost of capital and its value ? Explain your results.
8. ABC Company is considering the acquisition of XYZ Company with exchange of its shares. The financial data for the companies are as follows :

Details	ABC Co.	XYZ Co.
PAT (Rs.)	800000	600000
No. of Shares	200000	300000
EPS (Rs.)	4	2
Price Earnings ratio	15	10

XYZ Company expects an offer of 125 percent of its current market price from ABC company.

- What is the exchange ratio of shares ? How many new shares will be issued ?
- What is the acquiring firms EPS after merger ? Assume 15 percent synergy benefits accrue due to the merger.
- If the price earnings ratio after merger is 20, what is the market price per share of the surviving company ?

SECTION – C
(Compulsory)

(1×14=14)

Note : Answer to the question should **not** exceed **six** pages.

9. Rakesh is interested in writing a six month call option on L and T's share. L and T's share is currently selling for Rs. 120. The volatility of the share return is estimated as 67 percent. Rakesh would like the exercise price to be Rs. 125. The risk free rate is assumed to be 10 percent. How much premium should Rakesh charge for writing the call option ? Also calculate the value of put option.
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3 F 2

**III Semester M.B.A. Degree Examination, November/December 2012
(Choice Based Credit System)
BUSINESS ADMINISTRATION
Security Analysis and Portfolio Management**

Time : 3 Hours

Max. Marks : 70

Note : Answer all Sections.

SECTION – A

Note : Answer any two questions. Each question carries 10 marks. Answer to each question should not exceed six pages : (2×10=20)

1. Explain the process of investment.
2. What is random walk hypothesis ? Explain.
3. Describe the various tools of technical analysis.

SECTION – B

Note : Answer any three questions. Each question carries 12 marks. Answer to each question should not exceed six pages. (3×12=36)

4. Discuss the different stock market indices and utility of the market indices.
5. Explain the assumptions and utility of CAPM.
6. The following data is available to you as a portfolio manager :

Security	Expected Return	Beta	Standard Deviation
A	0.30	1.6	0.5
B	0.31	1.5	0.37
C	0.26	1.0	0.45

P.T.O.



D	0.23	0.99	0.25
E	0.19	1.16	0.30
F	0.16	0.80	0.20
NYSE	0.13	1.00	0.19
T-Bill	0.09	-	-

- a) Draw the security market line. Plot each stock on your graph.
 b) In terms of an SML, which of the securities are overvalued or undervalued ?
 Give reasons.

7. Compute the value of a put option using the following data.

Current market price	Rs. 60.00
Strike price	Rs. 65.00
Risk free interest rate	10 percent per annum
Volatility of share return	40 percent
Time to maturity	6 months

8. The following data is available for two stocks :

Stock	Expected Return	Standard Deviation
A	0.14	0.25
B	0.18	0.36

The correlation between the two stocks is +1.0.

- a) Calculate the expected return and risk on the following combinations of these two stocks :

Combination	% Stock A	% Stock B
i	30	70
ii	45	55
iii	65	35
iv	25	75

- b) Comment on the return and risk for the above combinations of stock.
 c) Is there any combination of the securities for which the risk can be completely eliminated. Give reasons ?

SECTION – C
(Compulsory)

Note : Answer to this question should not exceed six pages :

(1×14=14)

9. The following data is available to you.

Quarters	S and P 500 Index	Best Portfolio
1	100.00	111.0
2	105.00	125.0
3	109.09	140.5
4	105.11	124.2
5	115.1	140.0
6	112.83	135.0
7	108.77	142.8
8	110.05	135.5

The T-Bill rate for the above period averaged 8 percent per annum. You are required to evaluate the above two portfolios using Sharpe, Treynor, Jensen and Fama methods and interpret the results.

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3F1

III Semester M.B.A. Degree Examination, Nov./Dec. 2012
BUSINESS ADMINISTRATION (Repeaters)
Strategic Financial Management and Policy

Time : 3 Hours

Max. Marks : 75

Instruction : Answer all Sections.**SECTION – A**

Note : Answer **any two** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **6** pages. **(2×12=24)**

1. "The profit maximization is not an operationally feasible criterion". Comment critically.
- 2: Discuss the important conditions for the development of venture capital.
3. Explain the different methods of corporate tax planning.

SECTION – B

Note : Answer **any three** of the following questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **6** pages. **(3×12=36)**

4. Elucidate the essential managerial task associated with project life cycle.
5. ABC Company has decided to acquire XYZ Company. The following are the relevant financial data for the two companies.

	ABC Co.	XYZ Co.
Net Sales (Rs. lakh)	800.00	150.00
Profit after-tax (Rs. lakh)	120.00	30.00
Number of Shares (lakh)	10.00	5.00
Earnings per share (Rs.)	12.00	6.00
Total market capitalization (Rs. lakh)	1200.00	300.00

For the combined firm (after merger), you are required to calculate

- a) EPS
- b) P/E ratio
- c) Market value per share
- d) Number of shares and
- e) Total market capitalization. Also calculate the premium paid by ABC to the shareholders of XYZ.

P.T.O.



6. A company earns Rs. 6 per share and cost of capital is 10 percent. According to Walter's model, what should be the price of share for growing, normal and declining firms ? Assume rate of return on investment and payout ratios. According to Walter's model which is optimum payout ratio.
7. Company X and Y are identical in every respect except that company X uses debt while company Y does not. X company has Rs. 900000 debentures, carrying 10 percent rate of interest. Both the company earns 18 percent operating profit on the total assets of Rs. 2000000. Which of these firms has an optimum capital structure according to NI approach assuming 15 percent cost of equity ?
8. A firm sells its products for Rs. 50 per unit, has a variable cost of Rs. 30 per unit and fixed cost of Rs. 5000 per year. Its current level of sales is 300 units. Calculate the firm's degree of operating leverage, if the sales level rises to 350 units. What will happen to EBIT if sales level changes to 50 percent.

SECTION – C
(Compulsory)

Note : Answer to the question should not exceed 6 pages.

(1×15=15)

9. An investor is looking for five year investment. The share of SunTech Company is selling for Rs. 500. They have plans to pay dividend of Rs. 12 for the first two years and Rs. 20 for the next three years. There after the dividend will grow at 13 percent. A mutual fund is paying a current dividend of 120 percent on the face value of Rs. 10. The current NAV is Rs. 200 and the fund manager expects a NAV of Rs. 500 after five years. A bond of Rs. 1000 has an annual rate of interest of 15 percent with five year maturity. The interest is paid half-yearly and the company will redeem bonds at Rs. 1100 on maturity. What is the value of his investment at the end of the period if his initial investment is Rs. 50000 and required rate of return is 16 percent ?
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Third Semester M.B.A. Degree Examination, Nov./Dec. 2012
BUSINESS ADMINISTRATION (Repeaters)
Security Analysis and Portfolio Management

Time : 3 Hours

Max. Marks : 75

Note : Answer all Sections.**SECTION – A**

Note : Answer any two questions. Each question carries 12 marks. Answer to the question should not exceed 6 pages. (2×12=24)

1. Discuss the risk-return profile of different investment avenues.
2. Discuss the tools used for technical analysis.
3. What are the various forms of efficient market hypothesis ? Discuss all these forms.

SECTION – B

Note : Answer any three questions. Each question carries 12 marks. Answer to the question should not exceed 6 pages. (3×12=36)

4. A portfolio consists of three securities AB and C with the following information.

Particulars	Security			Correlation Coefficient
	A	B	C	
1. Expected Return (%)	20	23	26	
2. Standard Deviation (%)	23	25	30	
3. Correlation Coefficients				
AB				-0.5
BC				0.4
AC				0.6

If the securities are equality weighted, what is the risk and return of the portfolio of these three securities ?



5. Following are data for several stocks. The data result from correlating returns on these stocks versus returns on a market index.

STOCKS	Alpha	Beta	σe_i^2
MNO	-0.05	+1.6	0.04
PQR	+0.08	-0.3	0.00
LUV	0.00	+1.1	0.10

- a) Which single stock would you prefer to own from a risk-return viewpoint if the market index were expected to have a return of +0.10 and a variance of return of 0.10 ?
- b) What does the e_i^2 value for PQR imply ? The a value for LUV ?
- c) What do the Beta values of each stock imply ?
6. What is the optimum portfolio in choosing among the following securities and assuming $R_f = 5$ percent and $\sigma_m^2 = 10$ percent ?

(1) Security No. i	(2) Mean Return, R_i	(4) BETA, B_i	(5) UNSYSTEMATIC RISK, $\sigma_{e_i}^2$
1	15.0	1.0	50
2	17.0	1.5	40
3	12.0	1.0	20
4	17.0	2.0	10
5	11.0	1.0	40
6	11.0	1.5	30
7	11.0	2.0	40
8	7.0	0.8	16
9	7.0	1.0	20
10	5.6	0.6	6



7. Using the Black and Scholes model and the principle of put-call parity. Obtain the values of call and put options from the following data :

Price of the Share	Rs. 124
Exercise Price	Rs. 130
Time to Maturity	4 months
Risk-free Rate of Return	12% per annum

Standard Deviation of the distribution of the continuously compounded rate of return on the stock 0.5. Also state whether each of the options is in-the-money or out-of-the-money and decompose the values of each one into intrinsic value and time value.

8. Discuss the assumptions of CAPM. What are the assumptions that are likely to hold in the Indian market ?

SECTION – C

Note : Compulsory. Answer to the question should not exceed 6 pages. (1×15=15)

9. Suppose that seven portfolios experienced the following results during a ten year period.

PORTFOLIO	AVERAGE ANNUAL RETURN (%)	STANDARD DEVIATION (%)	CORRELATION WITH THE MARKET
A	15.6	27.0	0.81
B	11.8	18.0	0.55
C	8.3	15.2	0.38
D	19.0	21.2	0.75
E	-6.0	4.0	0.45
F	23.5	19.3	0.63
G	12.1	8.2	0.98
Market	13.0	12.0	1.00
Treasury bills	6.0		

- a) Rank these portfolios using
 - i) Sharpe's method
 - ii) Treynor's method
- b) Compare the ranking in part (a) and explain the reasons behind any differences noted.
- c) Did any portfolios outperform the market ? Why or why not ?