Karachi University Business School
University of Karachi
Final Examination, December 2010: Affiliated Colleges
Portfolio Investment Management: BA (H) - 623
BS - VII

Date: January 11, 2011
Max Marks: 60
Max Time: 3 Hours

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

Q1: Solve the following:
(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 dollars, spending rate 4% per annum, fund management cost is zero, and inflation rate is 8% per annum. Calculate estimated rate of return.

Q2: Describe the trading mechanics of a security?

Q3: a) How is an organization using asset management in its decision making and resource allocation?
   b) Who are primary users of asset management?

Q4: Explain the Capital Asset Pricing Model (CAPM)?

Q5: As an investment consultant, what features would you suggest to be included in the investment bunch of a client? Explain these features briefly?

Q6: 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?

Q7: 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