

**THIRD SEMESTER M.B.E. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

(CBCSS)

Master of Business Economics

MBE 3E 04—INVESTMENT AND PORTFOLIO MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

1. *In cases where choices are provided, students can attend all questions in each section.*
2. *The minimum number of questions to be attended from the Section/Part shall remain the same.*
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Part A

Answer all questions.

Each bunch of five questions carries a weightage of 1.

1. The starting point of a Capital Market Line (CML) is the :
 - a) High-risk return.
 - b) Risk-free return.
 - c) Market return.
 - d) Low-risk return.
2. Which of the following is not a measure of risk ?
 - a) Correlation coefficient.
 - b) Coefficient of variation.
 - c) Expected value.
 - d) Standard deviation.
3. Business risk :
 - a) Is affected by market demand.
 - b) Is one part of unsystematic risk.
 - c) Is due to the variability in operating profits or cash flows.
 - d) Is influenced by sales price.

Turn over

4. The efficient market hypothesis has three forms of efficiency do not include :
- a) Strong form efficiency.
 - b) Weak form efficiency.
 - c) Very weak form efficiency.
 - d) Semi-strong form efficiency.
5. Buying low and selling high, making a large capital gain is associated with :
- a) Investment.
 - b) Speculation.
 - c) Gambling.
 - d) Arbitrage.
6. Which one of the following is known as indirect investment alternatives ?
- a) Cash.
 - b) Equity shares.
 - c) Pension Fund.
 - d) Antiques.
7. Investing in similar types companies of investments in a portfolio is known as :
- a) Horizontal diversification.
 - b) Vertical diversification.
 - c) Circle diversification.
 - d) None of these.
8. Which of the following are the instruments of money market ?
- a) Call money.
 - b) Certificate of deposits.
 - c) Trade bills.
 - d) All of the above.
9. The gambler's fallacy is when :
- a) Falsely assuming that your next bet will be successful.
 - b) Assuming that one in three bets will be successful.
 - c) People expect an outcome in an independent trial (of a random process) based on previous independent trials.
 - d) People expect an outcome to be successful because it is their last bet.
10. Subjective expected utility theory has two chief parameters :
- a) Certainty and value.
 - b) Uncertainty and utility.
 - c) High value and low value.
 - d) Strength and variability.
11. The _____ measures the reward to volatility trade-off by dividing the average portfolio excess return by the standard deviation of returns.
- a) Jensen measure.
 - b) Treynor measure.
 - c) Sharpe measure.
 - d) Information ratio.

12. The Sharpe, Treynor, and Jensen portfolio performance measures are derived from the CAPM :
- Therefore, it does not matter which measure is used to evaluate a portfolio manager.
 - However, the Sharpe and Treynor measures use different risk measures, therefore the measures vary as to whether or not they are appropriate, depending on the investment scenario.
 - Therefore, all measure the same attributes.
 - a) and b).
13. Active portfolio management consists of _____.
- Market timing.
 - Security analysis.
 - Indexing.
 - a) and b).
14. Benchmark portfolio risk is defined as :
- The return difference between the portfolio and the benchmark.
 - The variance of the return of the benchmark portfolio.
 - The variance of the return difference between the portfolio and the benchmark.
 - The variance of the return of the actively-managed portfolio.
15. The critical variable in the determination of the success of the active portfolio is :
- Alpha/systematic risk.
 - Alpha/non-systematic risk.
 - Gamma/systematic risk.
 - Gamma/non-systematic risk.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

- What is the rate of return on a portfolio?
- What is Personal investment ?
- What is Securitization ?
- What is Portfolio Upgrading ?
- What is Portfolio execution ?
- Why Insider trading is illegal ?
- Define term deposit.
- What is variable-income security ?

(5 × 1 = 5 weightage)

Turn over

Part C (Short Answer Questions)

Answer any seven questions.

Each question carries a weightage of 2.

24. Discuss the Treynor Measure of portfolio performance.
25. Explain Portfolio Rebalancing.
26. Distinguish between Economic Investments and Financial Investment.
27. What do you mean by Formula Plan ?
28. Explain the Confirmation Bias.
29. Explain the role of Investment banking.
30. What are called Non-Security Investments ?
31. Discuss the Bayesian decision theory.
32. What are the conditions lead to Market Efficiency ?
33. Describe a Commercial Paper.

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any two questions.

Each question carries a weightage of 4.

34. Explain Markowitz model.
35. Enumerate the five Steps involved in Investment Management Process.
36. Describe the security market line of CAPM.
37. Discuss in detail the heuristic and cognitive biases.

(2 × 4 = 8 weightage)

**THIRD SEMESTER M.B.E. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

(CBCSS)

Master of Business Economics

MBE 3E 03—HUMAN RESOURCE MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

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Part A (Multiple Choices)

Answer all questions.

Each bunch of five questions carries a weightage of 1.

1. The process of reducing, usually dramatically, the number of people employed by the firm is :
 - a) Whistle blowing.
 - b) Downsizing.
 - c) Dismissal.
 - d) Arbitration.
2. _____ is the theory that discipline should be immediate, consistent, and impersonal and should include a warning.
 - a) Lock out.
 - b) Red Hot Stove rule.
 - c) Follow up.
 - d) Collective bargaining.
3. _____ is a set of written instruments completed by employees expressing their reactions to policies, practices and job characteristics.
 - a) Personal record.
 - b) Personal research.
 - c) Opinion survey.
 - d) Secondary research.
4. Appraisal of employees serves several useful purposes except :
 - a) Compensation decision.
 - b) Promotion decision.
 - c) Feedback.
 - d) Recruitment.

Turn over

5. Performance appraisal method includes :
- Individual evaluation method.
 - Multiple Person evaluation method.
 - Field review.
 - All the above.
6. _____ is a method employed to develop a situation that is close to reality where people learn by doing things in a controlled environment.
- Programme learning.
 - Simulation method.
 - Behaviour modelling.
 - None of the above.
7. Broadening an individual's knowledge, skills and abilities for future responsibilities is called :
- Mentoring.
 - Training.
 - Counselling.
 - Development.
8. What are the three phases of recruitment process ?
- Planning, Implementing, Screening.
 - Planning, Implementing, Enrichment.
 - Planning, Screening, Evaluating.
 - Planning, Implementing, Evaluating.
9. Termination occurs due to :
- Retirement.
 - Mergers and acquisitions.
 - Discipline.
 - Instability in business.
10. Reasons for layoff do not include :
- Seasonal fluctuation in demand.
 - Union activities of an employee.
 - Downsizing.
 - Piling up of inventory.
11. Employee orientation programmes should be the concern of :
- A special orientation unit.
 - The supervisor.
 - Both the HR department and the supervisor.
 - HR department.

12. Selection decisions are ultimately based on :
- a) Performance issues.
 - b) Turnover potential.
 - c) Human resource plan.
 - d) Personal whims and fancies.
13. The most reliable and valid test are generally :
- a) Personality test.
 - b) Intelligence test.
 - c) Personality test.
 - d) Attitude test.
14. Human resource professionals :
- a) Insist on the primacy of HR policies.
 - b) Should follow a business - like approach.
 - c) Try to get more authority over line managers.
 - d) Should concentrate on developing expertise in the field of HRM.
15. Process of bringing people and organisations together so that the goals of each on is met, effectively and efficiently is called :
- a) Management.
 - b) Human resource management.
 - c) Human resource planning.
 - d) Human resource development.
- (15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. What do you mean by promotion ?
17. Write a note on resignation.
18. Define selection.
19. What do you mean by grievance ?
20. Explain the suggestion scheme.
21. Define induction programme.
22. What do you mean by retrenchment ?
23. Explain lay off.

(5 × 1 = 5 weightage)

Turn over

Part C (Short Answer Questions)

Answer any seven questions.

Each question carries a weightage of 2.

24. Explain the role and status of HR manager in an organisation.
25. Distinguish between suspension and dismissal.
26. Briefly discuss about human resource planning.
27. Explain the process of HR outsourcing.
28. Briefly discuss the scope and importance of HR audit.
29. Write a brief note on Hot Stove Rule.
30. Discuss the various types of interviews.
31. What do you mean by selection ? Explain various steps in selection.
32. Briefly discuss the procedure of grievance handling.
33. Briefly discuss the scope of Human Resource Planning.

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any two questions.

Each question carries a weightage of 4.

34. Briefly discuss the nature and objectives of Human Resource Management.
35. What do you mean by performance appraisal ? Discuss the methods of performance appraisal.
36. What do you mean by recruitment ? Describe the various methods of recruitment.
37. Distinguish between training and development. Explain the process of training in detail.

(2 × 4 = 8 weightage)

**THIRD SEMESTER M.B.E. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

(CBCSS)

Master of Business Economics

MBE 3E 02—APPLIED CORPORATE FINANCE

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

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Part A

Answer all questions.

Each bunch of five questions carries a weightage of 1.

1. If a firm has low fixed costs relative to all other firms in the same industry, a large change in sales volume (either up or down) would have :
 - a) A smaller change in EBIT for the firm versus the other firms.
 - b) No effect in any way on the firms as volume does not affect fixed costs.
 - c) A decreasing effect on the cyclical nature of the business.
 - d) A larger change in EBIT for the firm versus the other firms.
2. Which of the following statements best describes the theories of investors' preferences for dividends ?
 - a) Modigliani and Miller argue that investors prefer dividends to capital gains.
 - b) The bird-in-hand theory suggests that a company can reduce its cost of equity capital by reducing its dividend payout ratio.
 - c) The tax preference theory suggests that a company can increase its stock price by increasing its dividend payout ratio.
 - d) The clientele effect suggests that companies should follow a stable dividend policy.

Turn over

3. A company may become insolvent if it :
- a) Cannot pay its payables in full after realisation of its assets.
 - b) Cannot meet its budgeted level of profit.
 - c) Makes a loss.
 - d) Has negative working capital.
4. An acquisition is the same thing as :
- a) A takeover.
 - b) An amalgamation.
 - c) A merger.
 - d) A spin-off.
5. A company has a financial structure where equity is 70% of its total debt plus equity. Its cost of equity is 10% and gross loan interest is 5%. Corporation tax is paid at 30%. What is the company's weighted average cost of capital (WACC) ?
- a) 8.05%.
 - b) 8.50%.
 - c) 7.45%.
 - d) 7.50%.
6. A debenture :
- a) Is a short-term loan.
 - b) Does not require security.
 - c) Receives dividend payments.
 - d) Is a long-term loan.
7. If a company raises additional capital through an issue of new equity :
- a) The number of shares in issue will decrease.
 - b) Benefits from the tax shield will increase.
 - c) Eps will decrease.
 - d) Gearing will increase.
8. Managerial motives for mergers and acquisitions do not relate to :
- a) Dividends.
 - b) Job security.
 - c) Emoluments.
 - d) Power.
9. XYZ is an oil based business company, which does not have adequate working capital. It fails to meet its current obligation, which leads to bankruptcy. Identify the type of decision involved to prevent risk of bankruptcy :
- a) Investment decision.
 - b) Dividend decision.
 - c) Liquidity decision.
 - d) Finance decision.

10. A firm's degree of operating leverage (DOL) depends primarily upon its :
- Sales variability.
 - Level of fixed operating costs.
 - Closeness to its operating break-even point.
 - Debt-to-equity ratio.
11. The dividend-payout ratio is equal to :
- The dividend yield plus the capital gains yield.
 - Dividends per share divided by earnings per share.
 - Dividends per share divided by par value per share.
 - Dividends per share divided by current price per share.
12. The ways in which a company may be split up do not include :
- A sale of a subsidiary.
 - A spin-off.
 - A share buy-back.
 - A demerger.
13. Financial distress can be best described by which of the following situations in which the firm is forced to take corrective action :
- Cash payments are delayed to creditors.
 - The market value of the stock declines by 10%.
 - The firm's operating cash flow are insufficient to pay current obligations.
 - Cash distributions are eliminated because the board of directors considers the surplus account to be below.
14. First industrial policy resolution was issued in :
- 1947.
 - 1948.
 - 1951.
 - 1954.
15. Which one of the following law controlled over merger, Amalgamations, takeovers etc. ?
- IRDA.
 - NASDOC.
 - M.R.T.P.
 - D.R.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. What is net income approach ?
17. What is amalgamation ?

Turn over

18. What are the considerations in the minds of dividend decision makers ?
19. What is deferred consideration ?
20. What is a warrant ?
21. What is a lawsuit ?
22. What is the role of the Registrar of Companies ?
23. What is clientele effect in dividend ?

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

*Answer any seven questions.
Each question carries a weightage of 2.*

24. How valid is the Lintner smoothed partial adjustment model ?
25. Write a note on operating synergy.
26. What are considered as the five sins of acquisitions ?
27. Write a note on Single-period dividend discount Model.
28. Write a note on Bankruptcy Costs.
29. Discuss the traditional approach to capital structure.
30. Discuss the MM "dividend irrelevance" theorem.
31. Discuss the hubris hypothesis.
32. What does trade association mean ?
33. Discuss the pecking order of financing.

(7 × 2 = 14 weightage)

Part D (Essay Questions)

*Answer any two questions.
Each question carries a weightage of 4.*

34. Describe Lintner's Smoothed Partial adjustment model.
35. Discuss in detail the Free Cash Flow Hypothesis.
36. State the proposition I of Miller Modigliani's theorem on Capital structure.
37. Discuss the Price earnings ratio approach to stock valuation and its determinants.

(2 × 4 = 8 weightage)

**THIRD SEMESTER M.B.E. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

(CBCSS)

Master of Business Economics
MBE 3C 12—FINANCIAL MARKETS
(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

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Part A

Answer all questions.

Each bunch of five questions carries a weightage of 1.

1. A security giving you the right to sell is :
 - a) Swap option.
 - b) Call option.
 - c) Put option.
 - d) Short futures contract.
2. A person who combines derivatives with a business risk is called :
 - a) Hedger.
 - b) Speculator.
 - c) Spreader.
 - d) Stock broker.
3. The auction pay in and pay out takes place in :
 - a) T + 3 day.
 - b) T + 4 day.
 - c) T + 2 day.
 - d) T + 1 day.
4. The short term, negotiable, self-liquidating instrument which is used to finance the credit sales of the firm :
 - a) Commercial paper.
 - b) Commercial bill.
 - c) Call money.
 - b) Treasury bill.

Turn over

5. The market in which securities with less than one year maturity traded is called :
- a) Money market.
 - b) Capital market.
 - c) Global market.
 - d) Transaction market.
6. Which of the following is the regulator of credit rating agencies in India ?
- a) RBI.
 - b) SEBI.
 - c) SIDBI.
 - d) SBI.
7. The bond whose present value is lesser than that of its face value is :
- a) Interest bond.
 - b) Discount bond.
 - c) Premium bond.
 - d) Price less bond.
8. Total depositories currently exist in India are ?
- a) 1.
 - b) 2.
 - c) 3.
 - d) 4.
9. In which year NSE was established :
- a) 1875.
 - b) 1857.
 - c) 1982.
 - d) 1992.
10. The formal financial system in India comes not under the purview of :
- a) Ministry of Finance.
 - b) RBI.
 - c) SEBI.
 - d) Forward market commission.
11. Full form of IPO :
- a) Initial Private Offering.
 - b) Initial Public Offering.
 - c) Investment Portfolio Option.
 - d) None of these.
12. Who issued SEBI guidelines ?
- a) Ministry of Finance.
 - b) Government of India.
 - c) NISM.
 - d) SEBI.
13. Which among the following sector is related to R.N. Malhotra Committee?
- a) Banking Sector
 - b) Pension Reforms.
 - c) Insurance.
 - d) Foreign exchange.
14. Mutual fund investment include :
- a) Stocks and bonds.
 - b) Money market instruments.
 - c) Both (a) and (b).
 - d) None of the above.

15. Equity shareholders are :

- | | |
|-----------------------------|-------------------------------|
| a) Owners of the company. | b) Partners of the company. |
| c) Guardian of the company. | d) Executives of the company. |

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. What is reverse book building ?
17. What is gilt edged market ?
18. What is the difference between futures and options ?
19. What is demutualisation ?
20. What is a participatory note ?
21. What is a right issue ?
22. Explain insider trading.
23. What is Foreign Currency Convertible Bonds ?

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any seven questions.

Each question carries a weightage of 2.

24. What are functions of capital market ?
25. Explain the features of treasury bill.
26. Differentiate between Over the counter exchange and regulated exchange.
27. What are the functions of financial market ?
28. Discuss the types of debentures.
29. Explain the features of Foreign Currency Convertible Bonds.
30. What are the features of a developed money market ?
31. What is the difference between GDR and ADR ?
32. How financial inclusion contributes to inclusive growth ?
33. What are the effects of Euro dollar market on international financial system ?

(7 × 2 = 14 weightage)

Turn over

Part D (Essay Questions)

Answer any two questions.

Each question carries a weightage of 4.

34. Evaluate the money market reforms since 1991.
35. What is stock exchange ? Discuss the features and functions of stock exchange.
36. How SEBI controls and regulates India's capital market ?
37. Discuss the structure of capital market.

(2 × 4 = 8 weightage)

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**THIRD SEMESTER M.B.E. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2021**

(CBCSS)

Master of Business Economics

MBE 3C 11—GLOBAL FINANCE

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

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Part A (Multiple Choices)

Answer all questions.

Each bunch of five questions carries a weightage of 1.

1. Price specie flow mechanism is introduced by :
 - a) David Hume.
 - b) J S Mill.
 - c) David Ricardo.
 - d) Thomas Mun.
2. FEMA Act was came into force in :
 - a) 1997.
 - b) 1998.
 - c) 1999.
 - d) 2000.
3. If purchasing power parity theory were to hold even on the short run, then :
 - a) Real exchange rate should tend to increase over time.
 - b) Real exchange rate should tend to decrease over time.
 - c) Quoted nominal exchange rate should be stable over time.
 - d) Real exchange rate should be stable over time.

Turn over

4. Forward premium depends upon :
- a) Currency fluctuation.
 - b) Demand and supply of two currencies.
 - c) Stock market returns.
 - d) Interest rate differential between countries.
5. Absorption approach is given by :
- a) Sydney S Alexander.
 - b) Robert Mundell.
 - c) Gunnar Myrdal.
 - d) David Hume.
6. If the exchange rate is above equilibrium level in a floating exchange rate system :
- a) Excess supply and exchange rate will fall.
 - b) Excess demand and exchange rate will fall.
 - c) Excess demand and exchange rate will rise.
 - d) Excess supply and exchange rate will rise.
7. A weighted average of the exchange rates between the domestic currency and the nation's most important trade partners is :
- a) Effective exchange rate.
 - b) Exchange rate.
 - c) Proportional exchange rate.
 - d) None of these.
8. The account that includes all sales and purchases of currently produced goods and services is :
- a) Capital account.
 - b) Financial account.
 - c) Current account.
 - d) None of these.
9. An increase in the domestic currency price of the foreign currency :
- a) Appreciation.
 - b) Depreciation.
 - c) Inflation.
 - d) None of these.
10. Which institution will assist, if the Balance of Payment of a country is adverse :
- a) World Bank.
 - b) World Trade Organization.
 - c) International Monetary Fund.
 - d) Asian Development Bank.

11. Bank deposit of non-resident Indian comes under _____.
- a) Loans and advances. b) Current account.
c) Capital account. d) None of these.
12. The exchange rate between any two currencies is kept the same by :
- a) Arbitrage. b) Hedging.
c) Speculation. d) None of these.
13. _____ accepts and even seeks out a foreign exchange risk, or an open position, in the hope of making a profit.
- a) Speculator. b) Arbitrager.
c) International financial market. d) None of these.
14. A country's balance of trade initially worsens following a devaluation of its currency, then quickly recovers is called :
- a) Absorption. b) Overshooting.
c) Under performing. d) J curve effect.
15. Which of the following is the objective of the IMF ?
- a) To promote satisfaction among member nations.
b) To ensure portfolio management of the nations .
c) To ensure exchange rate stability.
d) To provide loan to private sectors.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. What is hybrid exchange rate ?
17. What is forward discount ?
18. Explain FEMA Act
19. What is Eurobond ?
20. State J curve effect ?

Turn over

21. Explain Price specie flow mechanism ?
22. What is Hedging ?
23. What is meant by stabilising speculation ?

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any seven questions.

Each question carries a weightage of 2.

24. What is mint parity theory ?
25. How exchange rate is determined under flexible exchange rate ?
26. Explain the effects of international capital flows ?
27. Differentiate between NEER and REER ?
28. Explain the causes of the breakdown of Bretton wood system ?
29. Differentiate between spot and forward rate ?
30. Explain the implications of portfolio balance model ?
31. What is exchange rate overshooting ?
32. Explain Swan's model of internal and external stability ?
33. Explain Absorption approach to balance of payment ?

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any two questions.

Each question carries a weightage of 4.

34. Critically evaluate the monetary approach to Balance of Payments ?
35. Examine the current and capital account convertibility in India ?
36. Differentiate between absolute and relative purchasing power parity theory ?
37. Explain the price adjustment under flexible exchange rate ?

(2 × 4 = 8 weightage)