For 2021 Admitted Students

**TRIBHUVAN UNIVERSITY**

FACULTY OF MANAGEMENT

Office of the Dean

**November 2025**

Full Marks: 100

**Pass Marks: 50**

**Time: 3 Hrs.**

**BBA / Seventh Semester / BNK 204: Investment Analysis**

***Candidates are required to answer the questions in their own words as far as practicable.***

## Group "A"

***Brief Answer Questions:*** ***[10 × 2 = 20]***

1. State the meaning of financial assets with suitable examples.
2. What is meant by buying on margin?
3. Write the meaning of short selling.
4. Define the term 'risk'.
5. What is efficient frontier?
6. State the meaning of yield to call.
7. List out the name of any two leading economic indicators.
8. Lumbini Sugar Mill has share capital of Rs 1,000,000 with 10,000 shares outstanding, share premium of Rs 500,000 and retained earnings of Rs 1,500,000. Calculation the par value and book value per share.
9. Beginning price of Himalaya Company's stock was Rs 200. At the end of year the stock is selling at Rs 250. It paid Rs 20 per share dividend during the year. Calculate holding period return.
10. How do you calculate value of a zero coupon bond?

18 +

75 + 18 = 93

93/95 / 100

1. Pioneer 2. Expansion 3. Stabilization or 4. Decline

## Group "B"

***Short Answer Questions: (Attempt any SIX Questions)*** ***[6 × 5 = 30]***

11. Differentiate between technical and fundamental analysis.
12. Explain the stages of an industry life cycle.
13. Differentiate between unsystematic risk and systematic risk.
14. Nabina Basnet bought 400 shares of ABC Company for Rs 150 per share. One year later, Nabina sold the stock for Rs 210 per share, just after she received a Rs 9 cash dividend from the company.
    a. What is the total rupee return earned by Nabina for the year?
    b. What is the rate of return earned by Nabina?
    c. Separate the rate of return computed in part (b) into the dividend yield and the capital gain. In other words, compute the dividend yield and the capital gain that Nabina earned by holding ABC company for one year.
15. Mega company has beta coefficient 1.8. Current risk-free rate and market rate of return are 6 percent and 14 percent respectively.

on the stock.

a. Calculate required rate of return on ... [illegible]

b. If average rate of return on Mega's stock is 20 percent, is it overpriced / underpriced / correctly priced? Why?

16. A bond has a par value of Rs 1,000, a time to maturity of 10 years, and a coupon rate of 8% with interest paid annually. If the current market price is Rs 800, calculate yield to maturity.

17. The stock of Nepal Corporation is currently selling for Rs 100 per share. Earnings per share in the coming year are expected to be Rs 20. The company has a policy of paying out 50% of its earnings each year in dividends. The rest is retained and invested in projects that earn a 20% rate of return per year. This situation is expected to continue indefinitely.

   a. Assuming the current market price of the stock reflects its intrinsic value as computed using the constant-growth DDM, what rate of return do Nepal's investors require?

   b. By how much does its value exceed what it would be if all earnings were paid as dividends and nothing were reinvested?

$Ke = \frac{D_1}{P_0} + g$

## Group "C"

***Long Answer Questions: (Attempt any THREE Questions)*** ***[3 × 10 = 30]***

18. What do you mean by investment process? Explain the investment process.

19. How do you perform industry analysis? Explain.

20. Suppose you buy 100 shares of stock initially selling for Rs 500, borrowing 25% of the necessary funds from your broker; that is, the initial margin on your purchase is 75%. You pay an interest rate of 8% on margin loans.

   a. How much of your own money do you invest? How much do you borrow from your broker?

   b. What will be your rate of return for the following stock prices at the end of a one-year holding period? (i) Rs 400, (ii) Rs 500, (iii) Rs 600.

   c. Repeat part a and b assuming your initial margin was 50%. How does margin affect the risk and return of your position?

21. National Stock Exchange has been recently established. Only three stocks–have been listed in National Stock Exchange. Consider the following information of listed companies and their respective closing prices:

| Stock | No. of shares | Day 1 | Day 2 | Day 3 |
|---|---|---|---|---|
| A | 2,000 | Rs 400 | Rs 500 | Rs 600 |
| B | 3,000 | 200 | 220 | 240 |
| C | 4,000 | 1,600 | 1,600 | 1,800 |

   a. Calculate the market index for date 1, date 2, and date 3 if the National Stock Exchange uses Price Weighted method and compute the percentage change in the index on day 2 and day 3.

b. Calculate the value weighted index for date 2, and 3. Assume the value weighted index on date 1 is 100 and compute the percentage change in the index on day 2 and day 3.

c. How do you adjust the effect of stock split in price weighted and value weighted index? Illustrate.

## Group "D"

***Comprehensive Answer / Case / Situation Analysis Questions:*** ***[20]***

22. Read the following information carefully and answer the questions that follow:

Ramhari is an employee of commercial bank has just got retirement fund from his bank. He received Rs 10 million for investment in stock portfolio. Observing the current situation of stock market and possible increase in Nepalese market he has shown interest to investing in stocks listed in Nepal Stock Exchange. He asked your advice for selecting a stock or a portfolio of stocks. For that purpose, you have selected, among many stocks, A and B. The amount of investment, returns and risks of Stock A and B are given below:

| Stock | Amount of investment | Expected returns | Standard deviation of returns |
|---|---|---|---|
| A | Rs 9 million | 10% | 5% |
| B | Rs 1 million | 15 | 10 |

a. Calculate expected return and risk of the investor's portfolio consisting of Stock A and Stock B if correlation between Stock A and Stock B is – 0.50. Is the portfolio less or more risky than individual investments (i.e. investment in Stock A or Stock B separately)?

b. Assume that the investor is willing to reduce the risk by changing proportion between Stock A and Stock B. Calculate how much should the investor investment in Stock A and Stock B? Also calculate portfolio return and risk of such portfolio.

c. Ramhari wanted to invest Rs 5 million on government securities that earns 5 percent return and the remainder in the portfolio constructed in part (a). What will be the risk and return of the new complete portfolio?

**d.** Construct an optimal risky portfolio (combination of Stock A, B and government securities) and its expected return and risk.

✲✲✲