2016

MBA

3rd Semester Examination

SECURITY ANALYSIS

AND

PROTFOLIO MANAGEMENT

(Specialisation : Financial Management)

PAPER—F-303

Full Marks : 100

Time : 3 Hours

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

1. Answer any *eight* of the following questions :   8×5

    (a) What are the differences between technical analysis and fundamental analysis ?

    (b) Discuss the role of stock exchanges.

(c) Write a short note on money market. How does it differ from a capital market ? 2+3

(d) What are the different characteristics of an investment ?

(e) Explain the term 'market efficienty' and 'semi-strong form of efficiency'. 2+3

(f) With the help of a diagram, give an idea about the risk-return profile of different securities available for investment.

(g) What do you understand by 'support' and 'resistance' level in relation to price trend ? How does it help investors ?

(h) The investment decisions of investors vary. What are the common factors responsible for it ?

(i) Explain the concept of chart in the context of technical analysis.

(j) Write a short note on Security Market Line.

(k) Mutual funds are considered as managed portfolios. Explain.

(l) Explain any two securities traded in the stock exchanges.

(Continued)

2. Answer any *four* of the following :   4×10

(a) Describe in detail the structure of a mutual fund organization.

(b) (i) There are two securities A and B which have a positive correlation of 0.50. Their respective returns are 15% and 18% whereas their standard deviations are 12% and 18%. You are required to compute the portfolio return and risk assuming that the investment in the two securities is in the ratio of 2 : 3. What should be the investment ratio in order to have the minimum portfolio risk ?

   (ii) Write down the formula for computing portfolio risk in the case of a three-security portfolio.

                                              (2+3+3)+2

(c) (i) SEBI has been playing an active role in regulating the activities in the capital market. In this regard, discuss its role in brief.

(Turn Over)

(ii) The following table gives you the closing price of the share of Upturn Ltd. for the last six days.

(All the figures are in Rs.)

Day	Opening Price	Closing Price	Highest Price	Lowest Price
1	50	53	55	51
2	54	55	58	55
3	57	60	62	54
4	58	56	59	54
5	57	61	62	58

You are required to plot the Japanese candle stick chart.   5+5

(d) (i) Explain how the concept of regression can be used to measure security beta. Interpret the statement — 'Beta of security L is 1.80'.

(ii) What do you mean by the efficient frontier ? Explain.

(3+2)+5

(Continued)

(e) (i) The following data is given for three mutual funds relating to the last quarter :

Fund	Portfolio return (%)	Beta	Standard deviation (%)
A	13.5%	1.2	12%
B	14.9%	1.6	10%
C	12.8%	1.4	15%

Assuming the risk-free rate to be 6%, you are required to rank the funds using Treynor's and Sharpe ratios.

(ii) NAV at different points of time helps to assess fund performance. Explain.   6+4

(f) (i) Conquer Ltd. has its equity shares (face value of Rs. 10) listed in the stock exchange. It had declared a dividend of Rs. 20 in 2013. Since then the dividend has been growing at the rate of 12% and it is expected to grow at this rate till infinity. You want to buy the share now which is presently trading at Rs. 625.

Assuming that the cost of capital is 17%, decide whether you should purchase at this price. Show necessary calculations.

(ii) Discuss the assumptions of the Capital Asset Pricing Model. 5+5

[Internal Assessment : 20]

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