2018

MBA

3rd Semester Examination

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

(Specialisation : Financial Management)

PAPER—F-307

Full Marks : 100

Time : 3 Hours

The figures in the right-hand 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* questions : 8×5

(a) Your are required to represent the overall structure of a mutual fund organisation.

(b) Explain the differences between fundamental and technical analysis.

(c) You are given the following data relating to a portfolio having two securities P and Q, the details of which are given below :

Particulars	*Security P*	*Security Q*
Return (%)	13.9	16.3
Standard deviation	11.25	13.69
Covariance PQ	120	
Investment ratio	2 : 3	

Determine the following :

- Portfolio risk
- The investment ratio required to minimize the portfolio risk.

3+2

(d) Write a short note on stock market indices.

(e) Explain the term yield-to-maturity. Calculate the YTM for a zero coupon bond having Rs.1000 maturing after 4 years which is presently selling at Rs. 800.

(f) Is gambling the same as speculation ? Explain.

(g) What are the characteristics of financial securities ?

(h) What is the difference between capital market and money market ?

(i) A stock earns the following returns over a five year period :

$R_1 = 0.20$, $R_2 = -0.10$, $R_3 = 0.18$, $R_4 = 0.12$, $R_5 = 0.16$

Calculate the following :

(i) Arithmetic Mean Return

(ii) Geometric Mean Return

(iii) Cumulative Wealth Index. 1½+1½+2

(j) Discuss 'yield to maturity'

(k) Consider two stocks, P and Q

Stock	*Expected return (%)*	*Standard deviation (%)*
P	16%	25%
Q	18%	30%

The returns on the two stocks are negatively correlated. What is the expected return of a Portfolio construction to derive the standard deviation of portfolio return to zero ? 2½+2½

(l) Critically appraise the Dow Theory of Technical Analysis.

2. Answer any *four* questions : 4×10

(a) What do you mean by Diversification ? Why diversification is required ? 2+3

(i) Discuss the role of SEBI in capital market in India. 2

(ii) Calculate the coefficient of variation for securities X and Y in the given case : 3

Year	*Return of X (%)*	*Return of Y (%)*
1	10	12
2	15	15
3	12	14
4	15	16

(b) (i) Discuss detail the marketing theory of portfolio analysis.

(ii) Discuss Capital Asset Pricing Model. 6+4

(c) (i) What do you understand by 'support' and 'resistance' level in relation to technical analysis ? Draw a diagram to explain.

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

Fund	Portfolio return (%)	Beta	Standard deviation (%)
X	13.8%	1.27	15
Y	14.7%	1.62	12
Z	13.5%	1.40	13

Assuming the risk-free rate to be 5%, you are required to rank the funds using Treynor and Sharpe ratios. 4+6

(d) (i) Conquer Ltd. has its equity shares (face value of Rs. 10) listed in the stock exchange. It declared a dividend of Rs. 20 in 2016. Since then the dividend has been growing at the rate of 10% and it is expected to grow at this rate till infinity. Should you buy the share if the present trading price is Rs. 425, assuming that the cost of capital is 16%.

(ii) Write a short note on Jensen's measure for portfolio evaluation.

(e) What do you mean by Efficient Market Hypothesis ? Evaluate the empirical evidence on weak-form efficient market hypothesis. 4+6

(f) (i) What do you understand by mutual fund ? Explain the terms 'equity fund', 'balanced fund' and 'sectorial fund'.

(ii) Explain the advantages of investing in mutual fund. (2+3)+5

[Internal Assessment : 20 marks]

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