MB 118 A (N)

Third Semester M.B.A. Examination, September 2016
(New Scheme) (Elective)
C18A : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours Max. Marks : 80

SECTION – A

1. Answer **any five** sub-questions. **Each** question carries **3** marks. **(5×3=15)**

   a) What is depth and breadth of the market ?

   b) Distinguish between diversifiable and non-diversifiable risks.

   c) What is efficient portfolio ?

   d) Describe the process of book building.

   e) Mention the use of industry life cycle approach to an industry analysis.

   f) What do you understand by mutual fund ? What are its types ?

   g) Distinguish between the SML and CML.

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks. **(4×5=20)**

2. A four year bond with 7% coupon rate and muturity value of ₹ 1,000 is currently selling at ₹ 905. What is its YTM ?

3. What is an efficient market ? Briefly explain different forms of market efficiency.

4. Distinguish between investment and speculation.

5. Calculate risk and returns on the following stocks.

Year	**Return (A)**	**Return (B)**
1	10	11
2	12	09
3	14	13
4	16	17
5	15	09

6. "Stock market indices are the barometers of the stock market". Explain.

7. What is managed portfolio ? How is it revised ?

SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

8. The following table gives a security analyst expected return on two stocks for two particular market returns.

Market return	Aggressive Stock	Defensive Stock
5%	– 2%	6%
25%	38%	12%

a) What are the betas of the two stocks ?

b) What is the expected rate of return on each stock if the market return is equally likely to be 5% or 25%.

c) If the T-bill rate is 6% and the market return is equally likely to be 5% or 25%, what is the SML ?

9. A 3-year bond with par value of ₹ 1,000 making annual coupon payments of ₹ 100 is priced at ₹ 940. What is yield to maturity of the bond ? What is its current yield ? What will be the realised yield if the reinvestment rate returns out to be 8% and 12% ?

10. Explain the SEBI guidelines for primary market and secondary market.

11. Explain various bond value theorems with examples.

12. Explain Markowitz portfolio theory.

SECTION – D

13. Case (**Compulsory**). **15**

Consider the following data for a particular sample period.

Arrange	**Portfolio A**	**Market M**
Return	35%	30%
Beta	1.25	1
Standard Deviation	50%	32%
Unsystematic Risk	20%	0

Calculate the following performance measure :

a) Sharpe

b) Jensen

c) Treynor

d) Information Ratio

e) M^2 – Measure.