

Registration No:

--	--	--	--	--	--	--	--	--	--

Total Number of Pages: 02

MBA
15MNG304B

3rd Semester Regular Examination 2017-18
Security Analysis and Portfolio Management (SAPM)

BRANCH : MBA

Time: 3 Hours

Max Marks: 100

Q.CODE: B680

Answer Question No.1 and 2 which are compulsory and any four from the rest.
The figures in the right hand margin indicate marks.

Q1 Explain the following: (2x10)

- a) Short sell and long buy
- b) EIC analysis
- c) Types of Speculators.
- d) Gambling vs investment vs speculation
- e) Support and Resistance patterns
- f) Stop orders
- g) Riskless borrowing and lending
- h) Capital Market line
- i) Systematic and Unsystematic risk
- j) Problems with frequent portfolio revision

Q2 Fill up the blanks in the following questions. (2x10)

- a) In a fully diversified portfolio the relevant measure of risk is-----.
- b) Treynor ratio is an appropriate measure of performance evaluation in a -----
- portfolio.
- c) A Portfolio Manager's predictive ability is known from the use of -----ratio.
- d) A security is said to be underpriced when the -----return exceeds the -----
return.
- e) Dow theory was developed to explain -----.
- f) All available information is reflected in -----form of efficient market.
- g) History repeats itself is the fundamental notion in -----analysis.
- h) Candlestick with a long body and without shadow is a -----.
- i) An investor has a portfolio with the combination of stocks and bonds in the
ratio of 75:25. He is -----in portfolio management.
- j) Company X Ltd has a beta of 1.5. the expected return is 15 % and the risk
free interest rate is 5%. The market Return is-----%.

Q3 a) Explain the theoretical foundation in Markowitz model, bringing out the (10)

concepts of opportunity set of portfolio, efficient frontier and limitation. Don't
forget to show graphical presentation.

b) How many parameters must be estimated to analyse the risk return of a (5)
portfolio of 40 shares as per Markowitz model and Sharpe's single index
model?

- Q4 a)** You are a Fund Manager. Your client is holding some shares and debentures whose significant data are found to be as follows : **(10)**

Details	Cost Rs	Dividend Rs	Market Price Rs	Beta
ABC	8000	800	8200	0.8
PQR	10,000	1000	12,000	0.7
XYZ	12,000	1200	18,000	0.5
MN Bonds	50,000	5000	60,000	1.0

Assuming a risk free rate of 8% calculate

- a. Expected rate of return in each of the above using CAPM
 b. Average return of the portfolio
- b)** What is Beta? Explain the significance of positive, negative and zero value of Beta. **(5)**
- Q5 a)** Suppose an analyst has provided you the following estimates in respect of equity shares of Century, Escorts and ACC : **(7.5)**

Security	C	E	A
Expected Monthly returns per cent	10	8	18
Standard deviation per cent	12	15	15

Correlation coefficients of returns between

- C and E = 0.4
 C and A = 0.6
 E and A = 0.3

Assuming that equal amounts of the available funds will be invested in the three stocks, estimate the portfolio's mean return and standard deviation.

- b)** Construct a table showing the decision inputs required for 3 securities and write the formula to find the measure of risk. **(7.5)**
- Q6 a)** What is efficient market hypothesis? Discuss the various forms of market efficiency **(7.5)**
- b)** Discuss the fundamental notions of security analysis. **(7.5)**
- Q7 a)** Explain the principles of Rupee Cost Averaging and Constant Ratio Plan with clear examples. **(7.5)**
- b)** From the following data measure the performance of the security through the known three ratios: **(7.5)**

	Portfolio	Market
Average Return	0.45	0.25
Beta	1.3	1.0
Standard Deviation	0.42	0.30
Non-systematic Risk	1.18	0

- Q8 Write short notes on any TWO :** **(7.5x2)**

- a) Hypothesis of Dow theory
 b) Business Risk Vs Financial Risk
 c) Formation of bullish and bearish trend in the stock market.
 d) Criticism of trend analysis