3rd Semester Regular/ Back Examination 2015-16
SECURITY AND PORTFOLIO MANAGEMENT
BRANCH : MBA
Time: 3 Hours
Max marks: 70
Q.CODE: T697
Answer Question No.1 which is compulsory and any five from the rest.
The figures in the right hand margin indicate marks.

Q.1	Answer the following questions:	**(2x10)**
a)	What are the five important issues you would explore prior to taking an investment decision?	
b)	Distinguish between direct and indirect assets with examples.	
c)	Explain, bull, bear, stag and lame duck position.	
d)	Explain systematic and unsystematic risk with examples.	
e)	What is the basic difference between fundamental and technical analysis ?	
f)	Explain constant rupee value plan with an example.	
g)	What is CML ? Write the formula and explain its use.	
h)	How is psychology related to behavioral finance?	
i)	What is a confirmation bias? Give an example.	
j)	What is odd-lot theory? Explain its importance.	

Q.2	What are the fundamental assumptions in Markowitz Theory? Explain the theory with appropriate diagram and the utility of this theory.	**(10)**

Q.3	From the following data, calculate the return of the best portfolio through Sharpe's, Treyner's and Jenson equations of managed portfolio and best portfolio.	**(10)**

Alpha	= 2.55
Beta on managed portfolio	= 1.00
Average beta on managed portfolio	= 2.85
Average return on managed portfolio	= 3.30
Standard deviation of returns on managed portfolio	= 4.92
Beta on best portfolio	= 1.00
Average return on best portfolio	= 6%
Standard deviation on best portfolio	= 15.24
Riskless rate of return	= 3%

Q.4	An investor has analyzed a share for a one year holding period. The share is currently selling for Rs.86 but pays no dividend and there is a 50:50 chance that the share will sell for either Rs.110 or Rs.120 by the year end. What is the expected return and risk if 250 shares re acquired with 80 percent borrowed funds? The cost of borrowing may be taken as 12 per cent.	**(10)**

Q.5 a) Fundamental analysis looks into assessment of key economic variables. **(5)**
Discuss the same in detail.

b) Discuss the indicator approach to economic forecasting. **(5)**

Q.6 a) What are price charts ? Describe different types of price charts used by **(5)**
technical analysts.

b) Give a short account of trend reversals. **(5)**

Q.7 An investor owns a portfolio of 4 securities with the following characteristics **(10)**

Security	Beta	St. Deviation (%)	Proportion
A	0.79	12	0.25
B	1.85	8	0.30
C	1.05	17	0.15
D	0.82	20	0.30

Calculate the portfolio risk, assuming standard deviation of returns on
market index to be 15%.

Q.8 Discuss the genesis of behavioral finance. What are the different biases **(10)**
generally affecting investors to make irrational decisions. Explain any four.