Registration No : | | | | | | | | | | |

Total Number of Pages : 03 **MBA**

18MBA301B

3rd Semester Regular Examination 2019-20
SECURITY ANALYSIS & PORTFOLIO MANAGEMENT
BRANCH : MBA
Max Marks : 100
Time : 3 Hours
Q.CODE : HR550

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.
The figures in the right hand margin indicate marks.

Part- I

Q1 **Only Short Answer Type Questions (Answer All-10)** **(2 x 10)**

a) What are investment management functions?
b) How is passive investment different from active investment strategy?
c) Explain rupee cost averaging plan. Why is it resorted to?
d) What is the focal point of fundamental analysis?
e) Explain the sources of Systematic risk.
f) How do you measure risk of a security?
g) In order to analyze risk–return profile of a 50 stock portfolio, how many estimates do you require under Markowitz model.
h) In order to analyze risk–return profile of a 50 stock portfolio, how many estimates do you require under Sharpe single index model.
i) What are the basic characteristics of an investment action?
j) What is random walk theory?

Part- II

Q2 **Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve)** **(6 x 8)**

a) Explain Dow Theory bringing out its relevance.
b) A share is currently selling at Rs 50. It has a fifty-fifty chance of selling at either Rs 80 or Rs.60 by the year end. What is the expected return and risk if 200 shares are bought with 80% of borrowed funds? The cost of borrowed fund is 10%.
c) Explain the concept of Support level and Resistance Level
d) Given the following data, calculate the one period return for the two companies 'A' and 'B'.

	A	B
	Rs.	Rs.
Beginning price	20	10
Ending price	15	15
Dividend	1.50	2.00

e) Find the Jensen differential measure to evaluate a portfolio from the following:

Fund	Return (%)	δ	β
Gold		15	0.72
Platinum	16	35	1.33
Market Index	10	24	1.00

f) What are Reward to variability ratio and Reward to volatility ratio in connection with portfolio evaluation? Explain its relevance

g) The following estimates are available for Century, Escorts and ACC:

Security	Century	Escorts	ACC
Expected Monthly Returns (%)	5	4	9
Standard Deviation (%)	8	7	17

Correlation Coefficents of the returns are:
Century and Escorts: 0.4
Century and ACC : 0.6
Escorts ad ACC : 0.3
Estimate the mean return and risk of the portfolio, assuming equal investment in these three securities.

h) What are the basic principles of Techical Analysis?

i) Explain the situations of risk less lending and borrowing through diagrams.

j) Explain the weakly, semi-strongly and strongly efficient market hypothesis.

k) Construct a matrix of variance and co-variance of a portfolio with 3 securities with different amount of investment in each security. What is the utility of this matrix?

l) A security pays a dividend of Rs.3.85 and sells currently at Rs.83. The security is expected to sell at Rs.90 at the end of the year. The security has a beta of 1.15. The risk free rate is 5% and the expected return on the market index is 12%. Assess, if the security is mispriced.

Part-III

Only Long Answer Type Questions (Answer Any Two out of Four) **(16 x 2)**

Q3 Following data are given hereunder:

Stocks	**α**	**β**	**Residual Variance**
A	-2.1	1.6	14
B	1.8	0.4	8
C	1.2	1.3	18

Which single stock an investor would prefer to own if the market index is 5% and variance of return is 20%?

Q4 What is efficient frontier? Explain the Markowitz model concept through a graphical presentation showing situations with risk-less lending and borrowing taking investment of a portion of wealth in risky asset.

Q5 Explain different phases of Portfolio Management briefly.

Q6 The following data are available to you as a portfolio manager:

Security	**Estimated return (%)**	**Beta**	**Standard deviation (%)**
1	32	2.10	50
2	30	1.80	35
3	25	1.65	42
4	20	1.30	26

5	18	1.15	29
6	15	0.85	18
Market index	16	1.00	25
Govt. security	7.5	0	0

a. In terms of security market line which of the securities listed above are undervalued?
b. Assuming that a portfolio is constructed investing equal proportion of funds in each of the above securities, what is the expected return and risk of such a portfolio?