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3M6303

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M.B.A III Sem. (Main & Back) Exam. Jan. 2014

M-303 Security Analysis and Portfolio Management (Major)

Time: 3 Hours

Maximum Marks: 70

Min. Passing Marks: 28

Instructions to Candidates:-

1) The question paper is divided in two sections.
2) There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study/application based question which is **compulsory**.
3) All questions are carrying **equal** marks.

1.____________________ 2.____________________

SECTION-A

Q.1 (a) Explain depository system and discuss the advantages of depository system in a well regularized security market.

(b) Write a note on NSDL / CDSL. [10+4]

Q.2 (a) What is "Security Analysis"? Discuss the essential requirements for evaluating a security.

(b) What is security market? Discuss its functions and importance. [8+6]

Q.3 The stock of Ambuja Ltd Performs well relative to other stocks during recessionary periods. The stock of Hinduja Ltd on the other hand, does well during growth periods. Both the stocks are currently selling for Rs. 50 per share. The rupee returns (dividend plus price change) of these for the next year would be as follows:

	Economic Condition			
	High growth	Low growth	Stagnation	Recession
Probability	0.3	0.3	0.2	0.2
Return on Ambuja stock	55	50	60	70
Return on Hinduja stock	75	65	50	40

Calculate the expected return and standard deviation of -

(a) Rs.1000 in the equity stock of Ambujo Ltd.

(b) Rs.1000 in the equity stock of Hinduja Ltd.

(c) Rs. 700 in the equity stock of Hinduja Ltd. and Rs. 300 in the equity stock of Hinduja Ltd.

Which of the above three options would you choose? Why? [4+4+6]

Q.4 What do you Mean by Industrial Analysis? What factors would you look for an analysis of a particular industry? [4+10]

Q.5 (a) What is the required rate of return under the capital asset pricing model (CAPM) in situations I, II, and III respectively?

Situation	Risk-fore return %	Return on market Port folio %	Beta (B)
I	6	10	0.90
II	7	11	1.40
III	5	9	1.00

(b) A portfolio consists of thee securities P, Q and R with the following Parameters-

Item	Security			Correlation coefficient
	P	Q	R	
Expected return (%)	25	22	20	
Standard deviation (%)	30	26	24	
Correlation coefficient:				
PQ				-0.5
QR				+0.4
PR				+0.6

If the securities are equally weighted, how much is the risk and return of the portfolio of these three securities? [6+8]

Q.6 Describe the functions and powers of SEBI. What are the various steps required to be taken by the stock market to combat the current recession. [3+3+8]

SECTION-B

Q.7 The details of three Portfolios are given below. Compare these Portfolio on performance using the Sharpe, Treynor and Jensen's Ratio.

Portfolio	Average Return	Standard Deviation	Beta
A	15%	0.25	1.25
B	12%	0.30	0.75
C	10%	0.20	1.10
Market Index	12%	0.25	1.20

The risk free rate of return is 9%. [4+5+5]

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Roll No. ____________

3M3011

3M3011

M. B. A. III Sem. (Main) Exam., Jan. 2015

Finance

M-310 Security Analysis & Portfolio Management

Time: 3 Hours

Maximum Marks: 70

Min. Passing Marks: 28

Instructions to Candidates:

(i) *The question paper is divided in two sections.*

(ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is* ***compulsory.***

(iii) *All questions carry* ***equal*** *marks.*

1. NIL ____________ 2.NIL ____________

SECTION - A

Q. 1 (a) What is investment? Differentiate it with saving. [3+3=6]

(b) What are government securities? Why it is not so popular than the corporate security? [4+4=8]

Q. 2 What short notes on:

(a) SEBI

(b) Investment Alternatives

(c) RBI

(d) Investor Protection

[3.5×4=14]

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Q. 3 What is the trading system in stock exchanges in India? Explain the trading procedure? [7+7=14]

Q. 4 Differentiate between Markowitz' approach and Sharpe's single index model of selecting portfolio. [14]

Q. 5 (a) What is CAPM? How can dominant portfolios be created with help of CML?

(b) The risk – free rate of return and the return of market portfolio is 8% and 20% respectively. Construct the following portfolios if standard deviation of market return is 15 percent:-

(i) Portfolio that offers a return of 16%

(ii) Portfolio that carries 12% risk. [7+7=14]

Q. 6 What do you mean by industry analysis? What factors would you look for in analysis of particular industry? [14]

SECTION – B

Q. 7 An investor wants to build a portfolio with the following four stocks, with the given details find out his portfolio return and portfolio variance. The investment is spread equally over the stocks.

Company	α	β	Residual variance
A	0.17	0.93	45.15
B	2.48	1.37	132.25
C	1.47	1.73	196.28
D	2.52	1.17	57.98

Market return (R_m) = 11

Market return variance = 26 [7+7=14]
