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M. B. A. III Sem. (Main/Back) Exam., Jan. 2016
M-310 Security Analysis and Portfolio Management
(Major-II)

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) "Different investors have different purpose of investing money". Explain. [7]

(b) The following table shows the returns on the market, represented by the BSE Sensex and the share of Infosys Ltd. For five years:

Year	Market Return (%)	Infosys Ltd. (%)
1	18.60	23.46
2	-16.50	-36.13
3	63.83	52.64
4	-20.65	-7.29
5	-17.87	-12.95

Calculate the beta for Infosys Ltd. [7]

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Q.2 (a) Describe the procedure of trading in shares. [6]

(b) Discuss the role of SEBI as a regulatory body. [8]

Q.3 (a) Define the return generating process according to APT. [6]

(b) Describe the different methods of capital issues in Indian markets. Also state the factors that should be considered while deciding the types of issues. [8]

Q.4 (a) What is Free Float Market Index and how it is calculated? [7]

(b) What is meant by P/E Ratio? Why it is important in investment decisions? [7]

Q.5 (a) During the past five years, the returns of a stock were as follows:

Year	Returns
1	0.07
2	0.03
3	-0.09
4	0.06
5	0.10

Compute the following: [7]

(i) Cumulative Wealth Index,

(ii) Arithmetic mean,

(iii) Geometric mean,

(iv) Variance,

(v) Standard Deviation.

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(b) The possible outcome of two Assets X & Y:

State of Economy	Probability	Return of X	Return of Y
A	0.10	-8	14
B	0.20	10	-4
C	0.40	8	6
D	0.20	5	15
E	0.10	-4	15

(i) State the expected rate of return of X & Y. [3.5]

(ii) State the expected portfolio rate of return if the investment ratio is 50:50 in X & Y. [3.5]

Q.6 Define the following:

(a) CAPM

(b) APT

(c) Portfolio Revision and performance evaluation. [3+4+7=14]

SECTION-B

Case Study

Q.7 The stock of ABC Ltd. performs well relative to other stock during recessionary periods. The stocks of XYZ Ltd. , on the other hand, do 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 Conditions			
	High Growth	Low growth	Stagnation	Recession
Probability	0.4	0.2	0.2	0.2
Return on ABC Ltd	65	60	70	80
Return on XYZ Ltd.	85	75	60	50

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Calculate the expected return and standard deviation if:

(a) Rs. 2000 invested in the equity stock of ABC Ltd.

(b) Rs. 2000 invested in the equity stock of XYZ Ltd.

(c) Rs. 1000 invested in the equity stock of ABC Ltd. and Rs. 1000 invested in the equity stock of XYZ Ltd.

(d) Rs. 1400 invested in the equity stock of ABC Ltd. and Rs. 700 invested in the equity stock of XYZ Ltd.

(e) Which of the above four options would you choose and why? [14]
