MBSC-3.3 A

Sl.No. :

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Third Semester M.B.A. Degree Examination, February - 2024
(CBCS) (SLM Scheme)
MANAGEMENT
(Elective-A) : FINANCE
Security Analysis and Portfolio Management

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any FIVE questions. Each question carries FIVE marks : [5 × 5 = 25]

Q1) Define investment. Explain why it is needed.

Q2) Explain methods of raising capital from primary market.

Q3) "Do not put all eggs in one basket" - Discuss this statement in the light of Portfolio Management.

Q4) What do you mean by fixed interest-bearing securities? Calculate YTM for a seven-year bond with the 20% coupon rate and maturity value of Rs. 6,000 is currently selling at Rs. 2,810.

Q5) Calculate portfolio returns and portfolio risk from the given information; Two securities P and Q generate the following sets of expected returns, standard deviations and correlation coefficient :

Returns and Risks	Security P	Security Q
Expected Returns	15%	20%
Standard Deviation	50%	30%
r_{PQ}	–0.60	

A portfolio is constructed with 40 per cent of funds invested in P and the remaining 60 per cent of funds in Q.

Q6) The following information is provided regarding the performance of the funds namely ABC, CBZ and XYZ for a period of six months ending august 2021. The risk free rate of interest is assumed to 9%. Rank them with the help of Sharpe Index.

-	Rp	SDp	Beta
ABC	45.38	8	0.86
CBZ	50.22	10.02	0.98
XYZ	60.58	7.55	0.67

Q7) Arvind considers Rs. 1,000 par value bond bearing a coupon rate of 11% that matures after 5 years. He wants a minimum YTM of 15%. The bond is currently sold at Rs. 870. Should he buy the bond?

SECTION - B

Answer any FOUR sub-questions. Each question carries TEN marks :

[4 × 10 = 40]

Q8) Write a note on Dow Theory.

Q9) Enumerate the different investment avenues available in India with their approximate expected returns.

Q10) How is Markowitz Model different from William Sharpe Model with respect to Portfolio Management? Explain with examples.

Q11) From the given Data Calculate Return and Risk of a security and suggest whether this security is eligible for investment or not.

Date	Stock Price
03-June-22	1898.45
04-June-22	1899.15
05-June-22	1844.65
06- June-22	1817.8
07-June-22	1814.3
10-June-22	1850.75
11-June-22	1855.6
12- June-22	1877.45
13-June-22	1896.8

14-June-22	1929.35
17-June-22	1939.5
18-June-22	1920.75
19-June-22	1867.05
20-June-22	1823.7
21-June-22	1785.7
24-June-22	1736.8
25-June-22	1722.15
27-June-22	1678.6
28-June-22	1686.2
31-June-22	1736.2
01-July-22	1772.05
02-July-22	1787.1
03-July-22	1738.55
04-July-22	1741.1
07-July-22	1715
08-July-22	1717.3

Q12) The following table provides Information regarding the portfolio return and risk

Portfolio	**Expected Return E(R)**	**SD**
1	10	4
2	12	7
3	13	5
4	16	12
5	20	14

a) The Treasury bill rate is 5%, which portfolio is the best?

b) Would it be possible to earn 12% return with SD of 4%?

c) If SD is 12% what would be the expected return.

Q13) The market information regarding the following stocks is given in the table;

Stocks	**£**	**β**	$\mathbf{e_i^2}$
AAA	–0.05	+1.6	0.04
BBB	+0.08	–0.3	0.00
CCC	0.00	+1.1	0.10

If the market index is expected to have a return of 0.20 and a variance of 0.20 which single stock would the investor prefer to own from the risk and return point of view? And also interpret the values of Alpha.

SECTION - C

Q14) **Case (Compulsory) :** **[1 × 15 = 15]**

Stocks of L and M have yielded the following returns for the past two years.

Years	Return (in %)	
	L	M
2018	12	14
2019	18	12

a) What is the expected return on portfolio made up of 60% of L and 40% of M?

b) Find out the standard deviation of each stock.

c) What is the covariance and co-efficient of correlation between stock L and M?

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