MBSC-3.3A

Sl. No.

III Semester M.B.A. Degree Examination, May/June - 2026

Elective-A: Finance

MANAGEMENT

Security Analysis and Portfolio Management

Time : 3 Hours **Maximum Marks : 80**

SECTION - A

Answer any Five questions. Each question carries 5 marks. **(5×5=25)**

1. Define investment management and explain the objectives of investment.

2. Differentiate between fundamental analysis and technical analysis.

3. Two stocks, Stock A and Stock B, have expected returns of 13% and 18%, betas of 0.80 and 1.20, and residual standard deviations of 30% and 40%. If the market standard deviation is 20%, calculate the total risk (standard deviation) for each stock.

4. What are the assumptions of CAPM?

5. Briefly explain recent trends in Indian New issue market

6. A Portfolio is composed of two stocks:

Stock Q:Weight 50%, expected return14%, standard deviation 12%

Stock R: Weight 40%, expected return 10%, standard deviation 8%

Correlation between A and B is 0.3.

Calculate the expected return and standard deviation of the portfolio.

7. Briefly explain any three sequential steps involved in the Portfolio investment decision process.

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SECTION - B

Answer any Four questions. Each question carries 10 marks. (4×10=40)

8. Explain Characteristic features of bond. Mention the features and characteristics of debt securities.

9. Explain the process of measuring portfolio risk and return. Distinguish between systematic and unsystematic risk with suitable examples.

10. Given three portfolios:

Portfolio	Expected Return	Standard Deviation (Risk)
X	12%	8%
Y	14%	9%
Z	17%	16%

a) Which portfolios lie on the efficient frontier? Explain your reasoning.

b) How does Markowitz's portfolio theory guide optimal asset allocation in this context?

11. What is Modern Portfolio theory and Capital Market theory?

12. A 8-year bond with a face value of Rs. 5,000 pays 12% coupon annually. The market interest rate is 8%. Calculate the price of the bond assuming:

a) Interest is paid once per year (annual payment)

b) Interest is paid twice per year (semi-annual payment)

Show the discounted cash flow calculation for both cases and explain the effect of payment frequency on the bond price.

13. Explain the functions of stock exchanges in detail.

SECTION - C

Case (Compulsory). (1×15=15)

14. Mr. Nitin Gupta is an investor with Rs.16 million to invest. He is considering investing equally in two companies : HDFC Bank Ltd. (Asset S) and HCL Technologies Ltd. (Asset A). Both companies operate in distinct sectors-banking and technology respectively . Mr. Gupta wants to build a diversified portfolio to optimize returns while managing risks effectively. HDFC Bank has a beta of 0.85 and expected return of 12%, while HCL Technologies has a beta of 1.2 and an expected return of 15%. The risk-free rate is 6%, and the expected market return is 13%. Mr. Gupta is concerned about market volatility and wants to understand the systematic and unsystematic risk involved. He wants advice on which analysis techniques to apply before finalizing investment decisions and how to monitor the portfolio's performance periodically.

Questions:

a) Conduct a brief fundamental analysis for both companies considering their financial strength and sector outlook.

b) Explain how economic and industry analysis can help in evaluating investment prospects for each company.

c) Describe the role of technical analysis in timing the purchase or sale of stocks.

d) Calculate the expected return of the portfolio if invested equally in HDFC Bank and HCL Technologies.
