MBSC-3.3A

Sl.No. :

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Third Semester M.B.A. Degree Examination, June - 2025
(SLM Scheme) (CBCS)
MANAGEMENT
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 risk and distinguish between systematic and unsystematic risk.

Q2) Explain Capital Asset Pricing Model with suitable examples.

Q3) Compare and contrast Capital market line and security market line.

Q4) The market value of Rs.2,000 par value bond, carrying a coupon rate of 12 per cent and maturing in seven years is, Rs. 1,500. What is the yield to maturity on this bond?

Q5) A stock costing Rs. 125 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probabilitiess are as follows :

Price (Rs.)	Probability
115	0.1
120	0.1
125	0.2
130	0.3
135	0.2
140	0.1

i) Calculate the expected return

ii) Calculate the standard deviation of returns

Q6) Discuss the common errors in investment management.

Q7) Define Markowitz diversification and also explain the statistical method used by Markowitz to reduce the risks.

SECTION - B

Answer any **four** questions. **Each** question carries **ten** marks. **[4 × 10 = 40]**

Q8) Explain different forms of market efficiency.

Q9) Define investment. How does it differ from speculation and gambling?

Q10) The return of two assets under four possible states of nature are given below :

State of nature	Probability	Return on asset 1	Return on asset 2
1	0.10	5%	0%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

a) What is the standard deviation of the return on asset 1? Asset2?

b) What is the covariance between the returns on assets 1 and 2?

c) What is the coefficient of correlation between the returns on assets 1 and 2?

Q11) A portfolio Management service manager manages a stock fund consisting of five stocks with the following market values, betas and expected returns :

Stock	Market Value (₹)	Beta	Expected return
A	1,00,000	1.10	15%
B	50,000	0.75	14%
C	75,000	0.90	15%
D	1,25,000	1.20	16%
E	1,50,000	1.40	17%

If the risk free rate is 9% and expected return on market is 15%, then find

i) What is the portfolios expected return as per Capital Assets Pricing Model?

ii) Which stocks (s) are undervalued or overvalued?

Q12) Explain Arbitrage pricing theory.

Q13) Critically analyse five investment alternatives available for an investor.

SECTION - C

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

Consider the following information for three mutual funds, A,B and C, and the market.

	Mean return (%)	Standard deviation	Beta
A	24	36	1.1
B	20	30	0.9
C	26	40	1.2
Market index	22	24	1.00

The mean risk-free was 5.5 percent. Calculate the Treynor measure, Sharpe measure and Jensen measure for three mutual funds and the market index.