Code: **BA3T6F**

II MBA-I Semester-Regular Examinations JANUARY 2016

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Duration: 3hours   Max. Marks: 70

SECTION-A

1. **Answer any FIVE of the following:**   **5 x 2 = 10 M**
   a) What are the characteristics of investment?
   b) State the procedure for listing of securities.
   c) Zero growth equity valuation.
   d) Risk adjusted return.
   e) Sharpe's single index model.
   f) Efficient market.
   g) Industry analysis.
   h) Risk of a portfolio.

SECTION – B

Answer the following   **5 X 10 = 50**

2. a) Why do investors invest in gold and silver?

(OR)

   b) What is the methodology adopted in security trading on a stock exchange?

3. a) "The optimal portfolio is directly related to Beta" Discuss single index with the help of an example.

(OR)

b) The data are as follows;

Year	Stock	Return
1	R	10
1	S	12
2	R	16
2	S	18

   i. What is expected Return on a portfolio made up of 40% R and 60% S.

   ii. What is the Standard deviation of each stock.

   iii. Determine coefficient of correlation of Stocks R and S.

4. a) How would you determine the discount rate to be applied in the present value models of share valuation?

(OR)

b) Mr.Ram is considering the purchase of a bond warranty selling @ Rs.978.50. The bond has 4 years to maturity, face value of Rs.1,000 and 7% coupon rate. The next annual interest payment is due after one year from today. The required rate of return is 10%.

Calculate the intrinsic value(present value) of the bond. Should Mr.Ram buy the bond.

5. a) What are the indicators considered in economic analysis? Explain.

(OR)

b) What is efficient market Hypothesis? Explain any one technique of testing it.

6. a) Explain the importance of mutual funds. What are the problems faced by the mutual funds in India?

(OR)

b) What is the need for revision of portfolio? Explain with your own example.

SECTION –C

7. **Case Study**   1 X 10 = 10

The following information is available

Particulars	Stock 'X'	Stock 'Y'
Expected Return	16%	12%
Standard Deviation	15%	8%
Coefficient of correlation	--	0.60

a) What is covariance between Stocks 'X' and 'Y'.

b) What is the expected return and risk of portfolio in which 'X' and 'Y' have weights of 0.6 and 0.4.