

Enrollment No.....



Faculty of Management Studies

End Sem Examination Dec-2023

MS5EF14 Security Analysis & Portfolio Management

Programme: MBA

Branch/Specialisation: Management

Duration: 3 Hrs.**Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. Arrange the investment process in correct sequence- **1**
- I. Security analysis
 - II. Valuation
 - III. Portfolio construction
 - IV. Portfolio evaluation
 - V. Investment policy
- Select the correct sequence of the following options:
- (a) I-II-III-IV-V
 - (b) V-I-II-III-IV
 - (c) V-IV-III-II-I
 - (d) II-III-IV-V-I
- ii. Investment is a _____ activity. **1**
- (a) Non-economic activity
 - (b) Economic activity
 - (c) Both a and b
 - (d) None of these
- iii. Which of the following is not the example of unsystematic risk? **1**
- (a) Labours Strikes
 - (b) Weak marginal policies
 - (c) Interest rates changes in economy
 - (d) Consumer preferences
- iv. Which the following is not the key variables of economic analysis? **1**
- (a) Inflation
 - (b) Balance of payment
 - (c) Diversification
 - (d) Interest rates
- v. What is the primary concept behind the Efficient Market Hypothesis (EMH)? **1**
- (a) Financial markets are always irrational
 - (b) Asset prices in financial markets fully reflect all available information
 - (c) Stock prices are driven by random chance
 - (d) Investors can consistently outperform the market

[2]

- vi. How many primary waves are there in the basic Elliott Wave pattern? **1**
 (a) 2 (b) 3 (c) 5 (d) 8
- vii. In the Markowitz Model, what is the term for the measure of an asset's risk based on the variance of its returns? **1**
 (a) Beta (b) Alpha (c) Standard deviation (d) Sharpe ratio
- viii. The following two statements relate to Capital Asset Pricing Model. **1**
 Choose the correct code for the statements being correct or incorrect.
 Statement I: Beta is a measure of a security's risk relative to the risk of the market portfolio.
 Statement II: The value of Beta measures both the systematic and the unsystematic risks of a security.
 (a) Statement I is correct, but II is incorrect
 (b) Statement II is correct, but I is incorrect
 (c) Both the statements I and II are correct
 (d) Both the statements I and II are incorrect
- ix. A client's preference for ethical or socially responsible investments would fall under which type of constraint? **1**
 (a) Style constraint (b) Tax constraint
 (c) Regulatory constraint (d) Ethical constraint
- x. Which of the following is the method of evaluation of a portfolio performance? **1**
 (a) Sharpe's measures (b) Treynor's measures
 (c) Jensen's measure (d) All of these

- Q.2 i. Differences between investment and speculation. **4**
 ii. What do you mean by investment avenues? Discuss any five investment avenues available to the investors. **6**

- OR iii. What is investment? Briefly discuss the characteristics of investment. **6**

- Q.3 i. Define risk? Also discuss the types of risk. **4**
 ii. What is fundamental analysis? Discuss the phases in fundamental analysis in detail. **6**

- OR iii. Following information is available in respect of the return from Reliance's stock under different economic conditions: **6**

ECONOMIC CONDITION	RETURN (%)	PROBABILITY
Good	20	0.2
Average	16	0.4
Bad	10	0.2
Poor	4	0.2

Find out the expected return of the stock and risk associated with it?

[3]

- Q.4 i. Write a short note on "Dow Jones Theory". **4**
 ii. What do you mean by technical analysis? Also discuss various types of charts in technical analysis. **6**

- OR iii. Differentiate between fundamental analysis and technical analysis with examples. **6**

- Q.5 i. Explain the portfolio management process in detail with an example. **4**
 ii. Explain CAPM with its assumptions and write its two limitations. **6**

- OR iii. The return of Infosys and H.U.L. are given for the past two years: **6**

Year	Infosys Return %	H.U.L Return %
2022	12	14
2023	18	12

- (a) What is the expected return on a portfolio made up of 60% Infosys and 40% H.U.L?
 (b) What is the standard deviation of each stock?
 (c) What is the covariance and coefficient of correlation between stock Infosys and H.U.L?
 (d) What is the portfolio risk of a portfolio made up of 60% Infosys and 40% H.U.L?

- Q.6 Attempt any two:
 i. Explain in detail how portfolio evaluation is done. Why there is a need of portfolio revision? **5**
 ii. Find out the portfolio performance by using Sharpe's model from the following data- **5**

Portfolio	Average return	Standard deviation	Risk free ratio
P	25%	5%	12%
Q	30%	9%	12%

- iii. Calculate Treynors performance index and rank the securities: **5**

Security	Return (%)	Risk (%)	Beta	Risk free rate
A	17	15	1.35	8%
B	15	17	1.50	8%
C	14	12	1.15	8%
D	10	11	0.90	8%

Marking Scheme
MS5EF14 (T) -Security Analysis & Portfolio
Management

Q.1	i)	b. 5-1-2 -3-4	1
	ii)	b. Economic activity	1
	iii)	c. Interest rates changes in economy	1
	iv)	c. diversification	1
	v)	b. Asset prices in financial markets fully reflect all available information	1
	vi)	c.5	1
	vii)	c. Standard Deviation	1
	viii)	a. Statement I is correct, but II is incorrect.	1
	ix)	d. Ethical constraint	1
	x)	d. All of the above	1
Q.2	i.	Differences between investment and Speculation.(4 marks for 4 differences)	4
	ii.	What do you mean by Investment avenues? Discuss any 5 Investment avenues available to the investors. (1+5)	6
OR	iii.	What is Investment? Briefly discuss the characteristics of Investment.(2+4)	6
Q.3	i.	Define risk? And also discuss the types of risk.(2+2)	4
	ii.	What is fundamental analysis? discuss the phases in fundamental analysis in detail.(2+4)	6
OR	iii.	expected return of the stock =13.2% and risk associated (SD =5.6%)	6
Q.4	i.	Write a short note on “Dow Jones Theory”.	4
	ii.	What do you mean by technical analysis? Also discuss various types of charts in technical analysis. (2+3)	6
OR	iii.	Difference between Fundamental analysis and Technical analysis. (5 MARKS FOR DIFFERENCES)	6
Q.5	i.	Process with Example	4 Marks
	ii.	CAPM with assumptions	-4 Marks
		Limit-	2 Marks

OR	iii.	1)expected return on a portfolio made up of 60% Infosys =15% and 40% H.U.L =13% and portfolio return =14.2 2) standard deviation of Infosys = 3 and H.U.L = 1 3) covariance between Infosys and H.U.L = -3 and coefficient of correlation between stock Infosys and H.U.L= -1 4) portfolio risk of a portfolio made up of 60% Infosys and 40% H.U.L =1.4	6
Q.6		Any 2	
	i.	Explain in detail how portfolio evaluation is done. And why there is a need of Portfolio Revision.(2.5+2.2)	5
	ii.	P =2.6 and Q= 2 ,P is better	5
	iii.	Security A have better performance (6.67)	5
