

Faculty of Management Studies

End Semester Examination May 2025

MS5EF14 Security Analysis & Portfolio Management

Programme	:	MBA	Branch/Specialisation	:	-
Duration	:	3 hours	Maximum Marks	:	60

Note: All questions are compulsory. Internal choices, if any, are indicated. Assume suitable data if necessary.
 Notations and symbols have their usual meaning.

Section 1 (Answer all question(s))

Q1. What is the primary objective of investment?

Marks CO BL
1 1 1

Rubric	Marks
(Answer: b) To earn future returns while managing risk	1

- To spend money for immediate needs To earn future returns while managing risk
 To avoid financial planning To engage in gambling activities

Q2. Which of the following is not considered an investment avenue?

1 1 1

Rubric	Marks
(Answer: c) Lottery tickets	1

- Fixed deposits Stock market
 Lottery tickets Real estate

Q3. Which type of risk affects the entire market and cannot be diversified?

1 2 1

Rubric	Marks
(Answer: b) Systematic risk	1

- Unsystematic risk Systematic risk
 Business risk Credit risk

Q4. Which of the following measures the risk of an individual stock relative to the market?

1 2 1

Rubric	Marks
(Answer: b) Beta coefficient	1

- Standard deviation Beta coefficient
 Alpha ratio Sharpe ratio

Q5. What is technical analysis?

1 3 1

Rubric	Marks
(Answer: a) Studying stock prices based on historical trends and patterns	1

- Studying stock prices based on historical trends and patterns
- Analyzing a company's financial statements
- Evaluating economic conditions for investment decisions
- Predicting stock prices based on government policies

Q6. Which of the following is a commonly used chart type in technical analysis?

1 4 2

Rubric	Marks
(Answer: a) Candlestick	1

- Candlestick
- Pie chart
- Histogram
- Flow chart

Q7. The Markowitz Portfolio Theory focuses on-

1 4 1

Rubric	Marks
(Answer: b) Creating an efficient portfolio with risk-return balance	1

- Selecting high-return stocks only
- Creating an efficient portfolio with risk-return balance
- Investing only in fixed deposits
- Eliminating all risks

Q8. Which measure is used for evaluating portfolio performance?

1 5 1

Rubric	Marks
(Answer: a) Sharpe Ratio	1

- Sharpe ratio
- MACD indicator
- Moving averages
- GDP growth rate

Q9. Which of the following is not a portfolio evaluation method?

1 6 1

Rubric	Marks
(Answer: d) P/E Ratio	1

- Sharpe ratio
- Treynor ratio
- Jensen's alpha
- P/E ratio

Q10. What does a higher sharpe ratio indicate?

1 5 1

Rubric	Marks
(Answer: b) Better risk-adjusted performance	1

- Lower risk-adjusted returns
- Better risk-adjusted performance
- Higher systematic risk
- Poor portfolio management

Section 2 (Answer all question(s))

Marks CO BL

Q11. Define investment and explain its key characteristics.

2 1 1

Rubric	Marks
Define investment and explain its key characteristics. (1+1=2)	2

Q12. What are the various investment avenues available to investors?

3 1 1

Rubric	Marks
What are the various investment avenues available to investors? (3marks for 3 points)	3

Q13. (a) Compare speculation, gambling, & investment with examples.

5 2 2

Rubric	Marks
Explanation	5

(OR)

(b) Discuss the various marketable securities in detail with examples.

Rubric	Marks
Marketable securities. (6 points)	5

Section 3 (Answer all question(s))

Marks CO BL

Q14. Define risk and explain its types.

4 2 2

Rubric	Marks
Define risk and explain its types.(2+2=4)	4

Q15. (a) The following information is available in respect of the return from a company's stock under different economic conditions:

6 2 1

Economic Condition	Return (%)	Probability
Good	25	0.3
Average	15	0.5
Poor	5	0.2

Calculate the expected return of the stock and the standard deviation of the return.

Rubric	Marks
the expected return of the stock and the standard deviation of the return. Return=16% Risk=7%	6

(OR)

(b) What is fundamental analysis? Discuss the importance of fundamental analysis in investment decision-making.

Rubric	Marks
Explanation	6

Section 4 (Answer all question(s))

Marks CO BL

Q16. Explain the Dow Theory with its assumptions.

4 3 2

Rubric	Marks
Explain the Dow Theory & assumptions. (4 marks for detail explanation)	4

Q17. (a) Differentiate between technical analysis and fundamental analysis.

6 3 1

Rubric	Marks
differences	6

(OR)

(b) Explain different types of charts used in technical analysis with diagrams.

Rubric	Marks
Types of chart	6

Section 5 (Answer all question(s))

Marks CO BL

Q18. Define Capital Asset Pricing Model (CAPM) and state its assumptions.

4 3 2

Rubric	Marks
Define Capital Asset Pricing Model (CAPM) and state its assumptions.(2+2=4)	4

Q19. (a) Explain the steps involved in the portfolio management process.

6 4 1

Rubric	Marks
portfolio management process.	6

(OR)

(b) Discuss the Sharpe single index model in detail.

Rubric	Marks
Sharpe single index model	6

Section 6 (Answer any 2 question(s))

Marks CO BL

Q20. What is portfolio evaluation? Also discuss the different methods of portfolio evaluation.

5 5 2

Rubric	Marks
What is Portfolio Evaluation? Also discuss the different methods of Portfolio Evaluation(2+3=5)	5

Q21. You are given the returns, risk-free rate, and standard deviation of four companies. Calculate their Sharpe Ratios and determine which company has the best risk-adjusted return. Also give ranks.

5 5 3

Company	Portfolio Return (Rp)	Risk-Free Rate (Rf)	Standard Deviation (σ_p)
A	16%	5%	7%
B	18%	5%	9%
C	15%	5%	6%
D	20%	5%	10%

Rubric	Marks
Sharpe Ratios:	5
Company A: 1.57	
Company B: 1.44	
Company C: 1.67	
Company D: 1.50	
Best Risk-Adjusted Return: Company C (Sharpe Ratio = 1.67)	

Q22. You are analyzing four companies using the Treynor Ratio. Given the returns, risk-free rate, and beta values, determine which company has the best market risk-adjusted return. Also give ranks.

5 5 3

Company	Portfolio Return (R _p)	Risk-Free Rate (R _e)	Beta (β_p)
W	14%	5%	1.2
X	18%	5%	1.5
Y	16%	5%	1.1
Z	20%	5%	1.8

Rubric	Marks
Treynor Ratios:	5
Company W: 7.5	
Company X: 8.67	
Company Y: 10.0	
Company Z: 8.33	
Best Market Risk-Adjusted Return: Company Y (Treynor Ratio = 10.0)	
