Total No. of Questions: 6 *Total No. of Printed Pages:3*

Enrollment No......................................

Knowledge is Power

Faculty of Management

End Sem (Odd) Examination Dec-2019

MS5EF02 Security Analysis & Portfolio Management

Programme: MBA Branch/Specialisation: Management / Finance

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.

Q.1 i. Which of the following is non marketable financial investment? **1**

(a) Equity shares (b) Preference shares
(c) Mutual fund (d) Fixed deposits

ii. Which of the following is non-financial form of investment? **1**

(a) Gold & silver (b) Precious stones
(c) Art objects (d) All of these

iii. Ambiguity introduced by way by which organization finances its investments is: **1**

(a) Exchange risk (b) Systematic risk
(c) Financial risk (d) Country risk

iv. If interest rates rise the price of preferred stock: **1**

(a) Is not affected (b) Rises
(c) Falls (d) May rise or fall

v. As per Elliot wave theory the full cycle of market movement consists of pattern of ______waves upside? **1**

(a) 5 (b) 3 (c) 8 (d) 6

vi. Financial indicators for company analysis are: **1**

(a) Balance sheet (b) Ratio analysis
(c) Cash flow (d) All of these

vii. Which type of market efficiency declares that current security prices totally reflect all information, equally public and private: **1**

(a) Weak form (b) Semi strong form
(c) Strong form (d) Loose form

P.T.O.

viii. In Capital Market Line every investment is: **1**
(a) Infinitely divisible (b) Finitely divisible
(c) Both (a) and (b) (d) All of These

ix. Most favourable portfolio is proficient portfolio with the: **1**
(a) Lowest risk (b) Highest risk
(c) Highest utility (d) Least investment

x. Defensive portfolio consists of bond: stock in the ratio of: **1**
(a) 60:40 (b) 25:75 (c) 40:60 (d) 50:50

Q.2 i. Differentiate between investment & speculation by giving any four points. **4**

ii. How risk & return are related? Explain systematic & non-systematic risk briefly. **6**

OR iii. Calculate the variance & Standard deviation of returns from the given probability distribution of returns of security X & Y and give your preference? **6**

Security X Return %.	4	2	0
Security Y Return %.	4	3	3
Probability	0.6	0.3	0.1

Q.3 i. Write short note on any two bond valuation model. **4**

ii. Explain any three models used for valuation of Equities. **6**

OR iii. (a) An investor purchased a bond for Rs. 1200 having par value Rs. 1000, coupon rate 12% and maturity period of five years. The interest payment is annual for which the first is yet to be received. What is the bond's yield–to-maturity (YTM)? **6**

(b) What is the value of preference share, where the dividend rate is 15% on Rs. 100 par value? The discount rate of this risk level is 10%.

Q.4 i. Explain fundamental analysis in brief? **4**

ii. What are the different classifications of industry? Explain any two in brief? **6**

OR iii. Write short note: **6**
(a) External information (b) Dow John theory

Q.5 i. What is Efficient Market Hypothesis? Explain three forms of market efficiency? **4**

ii. Write a note on "techniques of risk measurement and their application in portfolio evaluation". **6**

OR iii. Security A has beta of 0.70 while security B has beta of 1.50 Calculate the expected return for these securities using CAPM. Given that risk free rate is 10% and expected return of the market is 15%. **6**

Q.6 i. Explain active strategy to revise portfolio with example? **4**

ii. What is portfolio performance evaluation? Explain any one model of performance evaluation with example. **6**

OR iii. Compare the following portfolio on the basis of Sharpe and Treynor ratio with market portfolio and comment? **6**

Portfolio	Return from the portfolio	Std. Dev.	Beta
ABC	21%	10%	0.9
Market portfolio	14%	18%	1.0

Risk free rate of return is 9%

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Marking Scheme
MS5EF02 Security Analysis & Portfolio Management

Q.1	i.	Which of the following is non marketable financial investment? (d) Fixed deposits		**1**
	ii.	Which of the following is non-financial form of investment? (d) All of these		**1**
	iii.	Ambiguity introduced by way by which organization finances its investments is: (c) Financial risk		**1**
	iv.	If interest rates rise the price of preferred stock: (c) Falls		**1**
	v.	As per Elliot wave theory the full cycle of market movement consists of pattern of ______waves upside? (a) 5		**1**
	vi.	Financial indicators for company analysis are: (d) All of these		**1**
	vii.	Which type of market efficiency declares that current security prices totally reflect all information, equally public and private: (c) Strong form		**1**
	viii.	In Capital Market Line every investment is: (a) Infinitely divisible		**1**
	ix.	Most favourable portfolio is proficient portfolio with the: (c) Highest utility		**1**
	x.	Defensive portfolio consists of bond: stock in the ratio of: (a) 60:40		**1**
Q.2	i.	4 Difference (for each fully described point 1 mark)	(1 mark*4)	**4**
	ii.	How risk & return are related	2 marks	**6**
		Systematic & non-systematic risk briefly.	4 marks	
OR	iii.	Calculate the variance	3 marks	**6**
		Standard deviation	3 marks	
Q.3	i.	Two bond valuation model.	(2 marks*2)	**4**
	ii.	Any three models used for valuation of Equities	(2 marks*3).	**6**
OR	iii.	(a) An investor purchased a bond for Rs. 1200 having par value Rs. 1000, coupon rate 12% and maturity period of five years. The interest payment is annual for which the first is yet to be received. What is the bond's yield–to-maturity (YTM)	4 marks	**6**
		(b) What is the value of preference share, where the dividend rate is 15% on Rs. 100 par value? The discount rate of this risk level is 10%.	2 marks	
Q.4	i.	Fundamental analysis(As per explanation)	4 marks	**4**
	ii.	Different classifications of industry	2 marks	**6**
		Explain any two	(2 marks*2)	
OR	iii.	Write short note:		**6**
		(a) External information	3 marks	
		(b) Dow John theory	3 marks	
Q.5	i.	Efficient Market Hypothesis	1 mark	**4**
		Three forms of market efficiency	3 marks	
	ii.	Note on "techniques of risk measurement	3 marks	**6**
		Their application in portfolio evaluation".	3 marks	
OR	iii.	For CAPM formula	2 marks	**6**
		Calculate the expected return	4 marks	
Q.6	i.	Active strategy to revise portfolio	3 marks	**4**
		Example	1 mark	
	ii.	Portfolio performance evaluation	3 marks	**6**
		Explain any one model of performance evaluation with example.	3 marks	
OR	iii.	Basis of Sharpe	2 marks	**6**
		Treynor ratio with market portfolio	2 marks	
		Comment	2 marks	

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