

Registration No :

1 7 0 6 2 5 8 1 5 2

Total Number of Pages : 02

MBA
15MNG304B

3rd Semester Regular / Back Examination 2018-19
SECURITY ANALYSIS & PORTFOLIO MANAGEMENT (SAPM)

BRANCH : MBA

Time : 3 Hours

Max Marks : 100

Q.CODE : E328

Answer Question No.1 (Part-1) which is compulsory, any EIGHT from Part-II and any TWO from Part-III.

The figures in the right hand margin indicate marks.

Part- I

Q1 Short Answer Type Questions (Answer All-10)

(2 x 10)

- Distinguish between investment and gambling.
- What exactly do you do in security analysis?
- Which are non-marketable financial assets?
- Explain business risk and financial risk.
- What do you mean by risk return relationship?
- What are the elements of return? Write the formula to compute return.
- What does fundamental analysis involve?
- What is a short sale? Explain with example.
- What is breadth of market? What do we try to get from finding the breadth of market?
- What is random walk theory?

Part- II

Q2 Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve)

(6 x 8)

- Explain the characteristics of different types of speculators.
- What are the different types of investment alternatives available for a genuine investor in India? Discuss
- Explain with suitable graphs the concepts of SML and CML and bring out the relevance.
- Discuss the need for and constraints in portfolio revision.
- Calculate the performance measure of the portfolio A and B in terms of Sharpe ratio and Jensen and Treynor ratio from the following data;

Particulars	Portfolio A	Portfolio B
Average Return	35%	28%
Beta	1.2	1.0
Standard Deviation	42%	30%
Non Systematic Risk	1.18	0
The risk free rate during the period was 6%.		

- How many parameters must be used to analyze the risk return profile of a 45 stock portfolio using the Markowitz modal and Sharpe single index model.
- Explain through an appropriate matrix to compute the risk and return of a portfolio consisting of stocks of 4 (Four) different companies.

- h) Explain the nature of efficient frontier with riskless lending and borrowing. Use graph and imaginary figures to explain this.
- i) Discuss the efficient market hypothesis and implications of random walk theory .
- j) Mr.Shyam has the following scrips in his portfolio :

Industries	Beta	Proportion of Investment
Acc Ltd	0.8	20
SBI	1.25	30
Bombay Dyeing	0.9	15
BSES	1.1	20
GE	1.5	15

- The risk free return is 5%.and the market return is 14%.What is the return of this portfolio?
- k) Explain Dow theory.
- l) What is RSI? Explain its calculation and interpretation.

Part-III

Long Answer Type Questions (Answer Any Two out of Four)

- Q3** Is it necessary to revise the portfolio frequently?What problemswould you encounter for resorting to this? Discuss the different formula plans available for revising the portfolio. (16)
- Q4** Discuss the fundamental principle and assumptions in fundamental analysis. Discuss the factors affecting industry analysis. (16)
- Q5** How do you construct an optimal portfolio? Discuss the contribution of Harry Markowitz in portfolio selection. Explain with suitable diagram. Discuss its assumptions and limitations too. (16)
- Q6** **Write short notes :**
- a) Margin Trading (8)
- b) Non-financial indicators in company analysis (8)

Registration No:

--	--	--	--	--	--	--	--	--	--

Total Number of Pages: 02

MBA
15MNG304B

3rd Semester Regular Examination 2017-18
Security Analysis and Portfolio Management (SAPM)

BRANCH : MBA

Time: 3 Hours

Max Marks: 100

Q.CODE: B680

Answer Question No.1 and 2 which are compulsory and any four from the rest.
The figures in the right hand margin indicate marks.

Q1 Explain the following: (2x10)

- a) Short sell and long buy
- b) EIC analysis
- c) Types of Speculators.
- d) Gambling vs investment vs speculation
- e) Support and Resistance patterns
- f) Stop orders
- g) Riskless borrowing and lending
- h) Capital Market line
- i) Systematic and Unsystematic risk
- j) Problems with frequent portfolio revision

Q2 Fill up the blanks in the following questions. (2x10)

- a) In a fully diversified portfolio the relevant measure of risk is-----.
- b) Treynor ratio is an appropriate measure of performance evaluation in a -----
- portfolio.
- c) A Portfolio Manager's predictive ability is known from the use of -----ratio.
- d) A security is said to be underpriced when the -----return exceeds the -----
return.
- e) Dow theory was developed to explain -----.
- f) All available information is reflected in -----form of efficient market.
- g) History repeats itself is the fundamental notion in -----analysis.
- h) Candlestick with a long body and without shadow is a -----.
- i) An investor has a portfolio with the combination of stocks and bonds in the
ratio of 75:25. He is -----in portfolio management.
- j) Company X Ltd has a beta of 1.5. the expected return is 15 % and the risk
free interest rate is 5%. The market Return is-----%.

Q3 a) Explain the theoretical foundation in Markowitz model, bringing out the (10)

- a) Explain the theoretical foundation in Markowitz model, bringing out the
concepts of opportunity set of portfolio, efficient frontier and limitation. Don't
forget to show graphical presentation.

- b) How many parameters must be estimated to analyse the risk return of a
portfolio of 40 shares as per Markowitz model and Sharpe's single index
model? (5)

- Q4 a)** You are a Fund Manager. Your client is holding some shares and debentures whose significant data are found to be as follows : (10)

Details	Cost Rs	Dividend Rs	Market Price Rs	Beta
ABC	8000	800	8200	0.8
PQR	10,000	1000	12,000	0.7
XYZ	12,000	1200	18,000	0.5
MN Bonds	50,000	5000	60,000	1.0

Assuming a risk free rate of 8% calculate

- Expected rate of return in each of the above using CAPM
 - Average return of the portfolio
- b)** What is Beta? Explain the significance of positive, negative and zero value of Beta. (5)

- Q5 a)** Suppose an analyst has provided you the following estimates in respect of equity shares of Century, Escorts and ACC : (7.5)

Security	C	E	A
Expected Monthly returns per cent	10	8	18
Standard deviation per cent	12	15	15

Correlation coefficients of returns between

C and E = 0.4
C and A = 0.6
E and A = 0.3

Assuming that equal amounts of the available funds will be invested in the three stocks, estimate the portfolio's mean return and standard deviation.

- b)** Construct a table showing the decision inputs required for 3 securities and write the formula to find the measure of risk. (7.5)
- Q6 a)** What is efficient market hypothesis? Discuss the various forms of market efficiency (7.5)
- b)** Discuss the fundamental notions of security analysis. (7.5)
- Q7 a)** Explain the principles of Rupee Cost Averaging and Constant Ratio Plan with clear examples. (7.5)
- b)** From the following data measure the performance of the security through the known three ratios: (7.5)

	Portfolio	Market
Average Return	0.45	0.25
Beta	1.3	1.0
Standard Deviation	0.42	0.30
Non-systematic Risk	1.18	0

- Q8** Write short notes on any TWO : (7.5x2)

- Hypothesis of Dow theory
- Business Risk Vs Financial Risk
- Formation of bullish and bearish trend in the stock market.
- Criticism of trend analysis

Registration no:

--	--	--	--	--	--	--	--	--	--

Total Number of Pages: 02

MBA
15 MNG 304B

3rd Semester Regular Examination – 2016-17
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

BRANCH: MBA

Time: 3 Hours

Max marks: 100

Q Code: Y741

Answer Question No.1 & 2 which are compulsory and any four from the rest.
The figures in the right hand margin indicate marks.

- Q1** Answer the following questions: (2 x 10)
- (a) Diversifiable risk and Non-diversifiable risk results in _____ risk.
 - (b) Errors of judgement by management (choose one: diversifiable / undiversifiable) is a source of _____ risk.
 - (c) The impact of demonetization on security prices is an example of _____ risk. (choose one: systematic / un-systematic)
 - (d) _____ is a measure of the rate of change of return of a security due to change in the market return. (Alpha / Beta)
 - (e) A portfolio that gives highest return with lowest risk is known as _____. (choose one: Excellent / Optimal / Feasible set)
 - (f) Through _____ analysis, one predicts the future based on past trends.
 - (g) Daily price fluctuations are also known as _____ movements. (Choose one: primary / secondary / tertiary)
 - (h) When all information whether public or confidential are reflected in the current share prices, we refer to _____ form of market efficiency. (choose one: strong / semi-strong / weak)
 - (i) All investments must result in _____ (choose one: acquisition of asset / high return / low risk)
 - (j) Borrowing money to purchase securities is known as _____.
- Q2** Explain the following notions of concepts: (2x10)
- (a) Notion of dominance.
 - (b) Systematic risk.
 - (c) Investment Vs Gambling.
 - (d) Sharpe's single index model
 - (e) Sunrise industries.
 - (f) Three phases of a bull market.
 - (g) Support and resistance levels.
 - (h) Measurement of risk under 2 asset case portfolio.
 - (i) Rupee cost averaging.

(j) SML Vs CML

Q3 What is a portfolio? What are the different phases in portfolio management? Explain in detail. (15)

Q4 What is risk? Discuss the elements of risk. How do you measure the risk and return of a portfolio comprising 3 assets only. (15)

Q5 What is technical analysis? What are its basic principles? Discuss different form of charts. (15)

Q6 What is a feasible set of portfolios? Examine the contribution of Markowitz in portfolio selection. Do you see any short comings in Markowitz model? Discuss. (15)

Q7 The variance and covariance matrix is given below: (15)

Wt.		0.2	0.3	0.5
		A	B	C
0.2	A	52	63	36
0.3	B	63	38	74
0.5	C	36	74	45

Find the portfolio risk.

Q8 The following table shows the returns of securities X and Y in a portfolio. Find: (15)

- (a) Covariance.
- (b) Correlation coefficient.
- (c) Portfolio return.
- (d) Portfolio risk

Year	Return (X) %	Return (Y) %
2010	40	-10
2011	-10	40
2012	35	05
2013	-5	35
2014	15	15

Registration No:

1 4 0 6 2 5 8 1 1 8

Total Number of Pages: 02

MBA
MGT 306B

3rd Semester Regular/ Back Examination 2015-16
SECURITY AND PORTFOLIO MANAGEMENT

BRANCH : MBA

Time: 3 Hours

Max marks: 70

Q.CODE: T697

Answer Question No.1 which is compulsory and any five from the rest.
The figures in the right hand margin indicate marks.

Q.1 Answer the following questions: (2x10)

- What are the five important issues you would explore prior to taking an investment decision?
- Distinguish between direct and indirect assets with examples.
- Explain, bull, bear, stag and lame duck position.
- Explain systematic and unsystematic risk with examples.
- What is the basic difference between fundamental and technical analysis?
- Explain constant rupee value plan with an example.
- What is CML? Write the formula and explain its use.
- How is psychology related to behavioral finance?
- What is a confirmation bias? Give an example.
- What is odd-lot theory? Explain its importance.

Q.2 What are the fundamental assumptions in Markowitz Theory? Explain the theory with appropriate diagram and the utility of this theory. (10)

Q.3 From the following data, calculate the return of the best portfolio through Sharpe's, Treynor's and Jensen equations of managed portfolio and best portfolio. (10)

Alpha	= 2.55
Beta on managed portfolio	= 1.00
Average beta on managed portfolio	= 2.85
Average return on managed portfolio	= 3.30
Standard deviation of returns on managed portfolio	= 4.92
Beta on best portfolio	= 1.00
Average return on best portfolio	= 6%
Standard deviation on best portfolio	= 15.24
Riskless rate of return	= 3%

Q.4 An investor has analyzed a share for a one year holding period. The share is currently selling for Rs.86 but pays no dividend and there is a 50:50 chance that the share will sell for either Rs.110 or Rs.120 by the year end. What is the expected return and risk if 250 shares are acquired with 80 percent borrowed funds? The cost of borrowing may be taken as 12 per cent. (10)

$$R_{jt} - R_{ft} = \alpha_j + \beta_j (R_{mt} - R_{ft})$$

$P_0 = 86$
 $D = 0.05$

Q.5 a) Fundamental analysis looks into assessment of key economic variables. Discuss the same in detail. (5)

b) Discuss the indicator approach to economic forecasting. (5)

Q.6 a) What are price charts ? Describe different types of price charts used by technical analysts. (5)

b) Give a short account of trend reversals. (5)

Q.7 An investor owns a portfolio of 4 securities with the following characteristics (10)

<u>Security</u>	<u>Beta</u>	<u>St. Deviation (%)</u>	<u>Proportion</u>
A	0.79	12	0.25
B	1.85	8	0.30
C	1.05	17	0.15
D	0.82	20	0.30

Calculate the portfolio risk, assuming standard deviation of returns on market index to be 15%.

Q.8 Discuss the genesis of behavioral finance. What are the different biases generally affecting investors to make irrational decisions. Explain any four. (10)

Registration No. :

										4	9
--	--	--	--	--	--	--	--	--	--	---	---

Total number of printed pages – 3

MBA
MBA 307B

Third Semester Examination – 2013
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

QUESTION CODE : C- 536

Full Marks – 70

Time : 3 Hours

*Answer Question No. 1 and 2 are compulsory and any **four** from the rest.
The figures in the right-hand margin indicate marks.*

1. Answer briefly the following questions :

2×10

- Distinguish between investment and speculation.
- What are the five different phases of portfolio management ?
- How many parameters must be estimated to analyse the risk-return of a portfolio of 70 shares applying
 - Markowitz Model and
 - Sharpe's Index Model ?
- Compare Capital Market Line (CML) and Security Market Line (SML).
- Write formula for calculating Sharpe ratio (SR) and Treynor Ratio (TR).
- Outline the needs and constraints of portfolio revision.
- Explain the two types of risk associated with investment in Bonds.
- Outline the economic variables that an investor must monitor as a part of his fundamental analysis.
- A share is currently selling at Rs. 50. It is expected that a dividend of Rs. 2 per share would be paid during the year and the share could be sold at Rs. 54 at the end of the year. Calculate the expected return from the share.
- What is Beta (β) ? What is the significance of positive, negative and zero value of Beta (β) ?

P.T.O.

2. The following data are available to you as a portfolio manager :

Security	Estimated Return(%)	Beta	Standard Deviation(%)
1	32	2.10	50
2	30	1.80	35
3	25	1.65	42
4	20	1.30	26
5	18	1.15	29
6	15	0.85	18
7	14	0.75	20
8	12	0.50	17
Market index	16	1.00	25
Govt.Security	7.5	0	0

- (a) In terms of security market line, which of the securities listed above are undervalued ?
- (b) Assuming that a portfolio is constructed investing equal proportion of fund in each of the above securities, what is the expected return and risk of such a portfolio ?
3. What is efficient market hypothesis ? Briefly discuss the empirical tests of weak form efficiency. How the efficient market hypothesis is different from fundamental analysis and technical analysis ? 10
4. Describe the Markowitz Model of portfolio selection with appropriate diagrams. Write any two limitations of the model. 10
5. Monthly return data (in %) for IPCL stock and the NSE index for a 12 month period are presented below :

Month	ONGC	NSE Index
1	10.27	11.00
2	9.31	3.69
3	6.73	4.20
4	-5.68	-4.93
5	2.60	3.05
6	2.86	5.88
7	2.78	3.74
8	3.84	2.63
9	-6.51	-2.10
10	-23.42	-21.35
11	0.00	-4.55
12	6.64	2.80

- (i) Calculate alpha and beta for the IPCL stock.
- (ii) Suppose NSE index is expected to move up by 15 % next month. How much return would you expect from IPCL ? 10

6. An investor owns a portfolio composed of five securities with the following characteristics :

Security	Beta	Random error term Standard deviation (in %)	Proportion
1	1.35	5	0.10
2	1.05	9	0.20
3	0.80	4	0.15
4	1.50	12	0.30
5	1.12	8	0.25

If the standard deviation of the market index is 20%, what is the total risk of the portfolio ? 10

7. "When an investor is assumed to use riskless lending and borrowing in his investment activity, the shape of the efficient frontier transform into a straight line." Explain with examples. 10

8. Write short notes on any **two** of the following : 5×2

- (a) Psychological traits affecting investment decision
- (b) Formula plans in portfolio revision ✓
- (c) Dow Theory. ✓

$$1.35 \times 0.16 = 0.216$$

Registration No. :

--	--	--	--	--	--	--	--	--	--

Total number of printed pages – 3

MBA
MBA 307B

Third Semester Examination – 2012-13

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Full Marks – 70

Time : 3 Hours

Answer Question No. 1 and 2 are compulsory and any **four** from the rest.

The figures in the right-hand margin indicate marks.

1. Answer briefly the following questions : 2×10
- (a) What is an Efficient Frontier ?
 - (b) Name two psychological traits affecting investment decision.
 - (c) State the various phases of Portfolio Management
 - (d) What is a Stock Exchange?
 - (e) Define a "Portfolio" ?
 - (f) Differentiate between Gambling and Investment.
 - (g) A company paid a cash dividend of Rs 4 per share on its shares during the current year. The dividends are expected to grow at an annual rate of 8% indefinitely. Investors expect a rate of return of 14% on the company's shares. What is the current price of the company's shares ?
 - (h) What do you mean by Behavioral Finance ?
 - (i) Explain briefly the Arbitrage Pricing Theory.
 - (j) What is a Bond ? State the types of Risks associated with it.

P.T.O.

2. A portfolio consists of three securities P, Q and R with the following parameters :

	P	Q	R
Expected Return %	28	24	22
Standard Deviation %	30	26	24

Correlation Co-efficient are $PQ = -0.50$, $QR = 0.40$ and $PR = 0.60$. If the securities are equally weighted, how much is the expected return and risk of the portfolio of these three securities. 10

3. What do you mean by Fundamental Analysis ? Explain the Economy -Industry-Company Analysis Framework. 10

4. Following information is available regarding four Portfolios :

Portfolio	Return %	Risk % (Standard Deviation)	Beta (β)	Risk Free Rate (%)
P	13	16	0.90	9
Q	17	23	0.86	9
R	23	39	1.20	9
S	15	25	1.38	9

Evaluate performance of these mutual funds using Sharpe ratio and Treynor's Ratio. Comment on the evaluation after ranking the funds. 10

5. Write short notes on any two : 5x2

- Markowitz Model
- Characteristics of Investment
- Fusion Investing
- Capital Market Line

6. Your client is holding the following securities : 10

Particulars of Securities	Cost (Rs.)	Dividends (Rs.) (Rs)	Market Price (Rs.) (Rs)	Beta
X shares	8000	800	8200	0.8
Y shares	10000	800	10500	0.7
Z shares	16000	800	22000	0.5
ABC Bonds	34000	3400	32300	1.0

Assuming a risk free rate of 15%, Calculate :

(a) Expected rate of return in each, using the CAPM.

(b) Average return of the Portfolio.

7. (a) A person owns a Rs. 1000 face value bond with five years to maturity. The bond makes annual interest payments of Rs 80. The bond is currently priced at Rs 960. Given that the market interest rate is 10%, should the investor hold or sell the Bond ? 5

(b) Monthly return data (in %) for ONGC stock and the NSE Index for a 12 month period are presented below :

Month	ONGC	NSE Index
1	-0.75	-0.35
2	5.45	-0.49
3	-3.05	-1.03
4	3.41	1.64
5	9.13	6.67
6	2.36	1.13
7	-0.42	0.72
8	5.51	0.84
9	6.80	4.05
10	2.60	1.21
11	-3.81	0.29
12	-1.91	-1.96

Calculate beta for ONGC stock. 5

8. Explain the following : 2×5

(a) Methods of Floating New Issues

(b) Stop Orders

(c) Unsystematic Risk

(d) Security Market Line

(e) Line Chart and Bar Chart.

Registration No. :

--	--	--	--	--	--	--	--	--	--

Total number of printed pages – 3

MBA
MBA 307B

Third Semester Examination – 2011

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Full Marks – 70

Time : 3 Hours

Answer Question No. 1 which is compulsory and any **five** from the rest.

The figures in the right hand margin indicate marks.

1. Answer the following questions : 2×10
 - (a) Write two limitations of Markowitz model.
 - (b) Why is systematic risk non-diversifiable ? Give four examples of factors that contribute to systematic risk.
 - (c) What is Beta ? Interpret the meaning of $\beta > 1$, $\beta < 1$ and $\beta = 1$.
 - (d) What is a portfolio ? Write any three constraints of portfolio revision.
 - (e) How many parameters must be estimated to analyse the risk-return portfolio of a 50 stock portfolio using Markowitz model and Sharpe model ?
 - (f) What are Depositories ? What is a depository participant ?
 - (g) Do all investors get all the information from the capital market ? Justify your answer with reasons.
 - (h) What is Portfolio Opportunity ?
 - (i) What is arbitrage ? Explain with example.
 - (j) What are the two types of risk associated with Bonds ? Explain.
2. (a) A security pays dividend of Rs. 3.85 and sells currently at Rs. 83. The security is expected to sell at Rs. 90 at the end of the year. The security

P.T.O.

has a beta of 1.15. The risk free rate is 5 per cent and the expected return on market index is 12 per cent. Assess whether the security is correctly priced. 5

- (b) The return and risk figures of two mutual funds and the stock market index are given in the table :

Fund	Return (%)	Standard deviation (%)	Beta
A	12	18	0.7
Z	19	25	1.3
M	15	20	1.0

Find Sharpe ratio and Treynor ratio for the three funds.

- How Markowitz Model helps to determine the optimal portfolio ? What are the criteria and assumptions taken in the model ? Discuss through appropriate diagrams. 10
- Describe different phases in the portfolio management. 10
- 'Explain the basic principles and hypothesis of Dow theory. Describe the formation of Bullish trend and Bearish trend in the market. 10
- An investor owns a portfolio composed of five securities with the following characteristics :

Security	β	Random error term Standard deviation (%)	Proportion
A	1.35	5	0.10
B	1.05	9	0.20
C	0.80	4	0.15
D	1.50	12	0.30
E	1.12	8	0.25

If the standard deviation of the market index is 20%, what is the total risk of the portfolio ? 10

- What is Efficient Market Hypothesis ? Discuss the forms of market efficiency. 10

8. Write notes on the following (any **two**) :

5×2

- (a) Security Market Line(SML)
- (b) Support and Resistance Patterns
- (c) Industry Analysis
- (d) Efficient Frontier with risk-less lending and borrowing.