AR – 1243

Fourth Semester M. B. A. Examination

(New Course)

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Paper – MBA / 4102 / CGF

P. Pages : 5

Time : Three Hours]   [Max. Marks : 70

Note : (1) Attempt all the questions.
(2) Figures to the right indicate marks.
(3) Use of annuity tables showing future and present values and scientific calculator is permissible.

SECTION A

1. (a) What is Listing of securities ? Explain the procedure adopted for listing of securities on the stock exchange.   14

OR

(b) How does SEBI regulate the primary market ? Also discuss steps taken by SEBI to protect the investor in the new issue market.   14

4. (a) Explain the concept of efficient frontier in the context of portfolio selection.   7

(b) The following table provides information regarding the portfolio return and risk.

Portfolio	Expected Return	σ
1	10	4
2	12	7
3	13	5
4	16	12
5	20	14

(a) The Treasury bill rate is 5%. Which Port–folio is the best ?   5

(b) If σ is 12% what would be the expected return ?   2

OR

(c) How can an investor earn riskless arbitrage ? Can the arbitrage exist forever in the market.   7

(d) Estimate the stock return by using CAPM model and the arbitrage mode. The particulars are given below.

(a) The expected return of the market is 15% and equity beta 1.2. The risk free rate of interest is 8%.

SECTION B

2. (a) Technical analyst believes that one can use past price changes to predict future price changes. How do they justify this belief ? 7

(b) A share is Currently Selling ₹ 200. An investor who is interested in the share anticipates that the company will pay a dividend of ₹ 10 in the next year ? Investor expect to sell a share at ₹ 250 after 1 year. Calculate expected return from share. 7

OR

(c) What is fundamental analysis ? How is it different from technical analysis ? 7

(d) A share is currently selling at ₹ 150. An investor who is intrested in the share anticipates that the company will pay a dividend of ₹ 5 in the next year. Moreover he expects to sell the share at ₹ 185 after one year. Calculate the expected return from share. 7

3. (a) Define Markowiz diversification. Explain the statistical method used by Markowitz to obtain the risk reducing benefit. 7

(b) A financial analyst is analysing two investment aternatives of Z and Y. The estimated rates of return and their chances of occurrence for the next year are given in the table below.

Probability of Occurrence	Rate of Return	
	Y	Z
0.20	22%	5%
0.60	14%	15%
0.20	–4%	25%

(a) Determine each alternatives expected rate of return and standard deviation.

(b) Is Y comparatively riskless ? 7

OR

(c) What is portfolio management ? Explain the different phases of portfolio management. 7

(d) A portfolio consist of three securities A , B and C. The weight of these securities are 0.30 , 0.50 and 0.20. The standard deviation of a return on these securities are 6% , 9% and 10% respectively. The coefficient of correlation among the security returns are correlation of A and B is 0.4 , correlation of A and C is 0.6 and correlation of B and C is 0.7.
What is the standard deviation of a portfolio return ? 7

(b)

Factor	Market Price of Risk	Sensitivity Index
Inflation	6%	1.1
Industrial Production	2%	0.8
Risk Premium	3%	1.0
Intrest rate	4%	– 0.9

7

SECTION C

5. The following three portfolio provide the particulars given below :—

Portfolio	Average annual Return	Standard deviation	Correlation coefficient
A	18	27	0.8
B	14	18	0.6
C	15	8	0.9
Market	13	12	—

Risk free rate of interest is 9%.

(a) Rank these portfolios using Sharpe's and Treynor's methods.

(b) Compare both the indices.   14