AT–1450

M.B.A. Semester—IV Examination

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Paper—MBA|4102|CGF

Time : Three Hours]   [Maximum Marks : 70

Note :— (1) Attempt **ALL** questions.

(2) Figures to the right indicate marks.

(3) Annuity tables showing future and present values and scientific calculator is permitted.

SECTION—A

1. (a) Briefly describe the essence of fundamental and technical analysis. Would you advise an investor to use technical analysis as the only basis for investment decisions ?   14

OR

(b) What is company analysis ? Explain how financial ratios can be used to determine the strengths and weakness of a company.   14

SECTION—B

2. (a) Explain the problem involved in the portfolio selection process.   7

(b) Ms. Shiela is planning her portfolio. She is taking both high risk, high return as well as plans to put 70 % in high risk as it promises high return only 30 % in low risk government securities. The expected return on securities is 15 % in high risk and only 5 % in low risk securities. The standard deviations (risk) of risky investments is (7 %). Find out risk and return of the portfolio.   7

OR

(c) What is corner portfolio ? Why are corner portfolios important for identifying the composition of efficient set ?   7

(d) Mr. Roy has a portfolio with an expected return of 20 % and standard deviations of 25 %. He purchases another portfolio B which has an expected return of 15 % and standard deviations of 18 %. The market values of the two portfolios are in the ratio of 2:3. Find expected return and standard deviation of the correlation co-efficient of 0.7.   7

3. (a) Discuss the process and principles employed in setting up the income portfolio.   7

(b) With risk-free rate of 10 %, and with the market portfolio having an expected return of 20 % with standard deviation of 8 %. what is the Sharpe index for portfolio X with mean of 14 % and standard deviation of 18 % and for portfolio Y, having a return of 20 % and standard deviation of 16 % ? Would you rather be in the market portfolio or one of the other two portfolios ?   7

OR

(c) What factors necessitate portfolio revision ?   7

(d) Mr. Anand is having units in mutual fund for the past three years. He wants to evaluate its performance by comparing it to the market.

	Fund	Market
Return	70.60	41.40
Standard Deviation	41.31	19.44
Risk free rate	12 %	12 %
β (Beta)	1.12	1

Find out Sharpe and Treynor indices. Comment.   7

SECTION—C

4. (a) What is the role of SEBI in regulating the new issue market/primary market ?   7

(b) 'Stock market indices are the barometers of the stock market'. Discuss.   7

OR

(c) Describe the different kinds of trading activities that take place in Stock Exchange.   7

(d) Analyse the role of new issue market in financing companies.   7

SECTION—D

5. Consider a portfolio of four securities with the following characteristics :

Security	Weighting	α_i(alpha)	β(Beta)	Residual variance $\left(\sigma_{ei}^2\right)$
1	0.2	2.0	1.2	320
2	0.3	1.7	0.8	450
3	0.1	−0.8	1.6	270
4	0.4	1.2	1.3	180

Calculate the return and risk of the portfolio, under single index model, if the return on market index is 16.4 per cent and the standard deviation of return of market index is 14 per cent.

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