

Roll No.

Total No. of Pages : 03

Total No. of Questions : 15

MBA (2012 & onward) (Sem.-3)

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Subject Code : MBA-921

Paper ID : [C1172]

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

- 1. SECTION-A contains SIX questions carrying FIVE marks each and students has to attempt any FOUR questions.**
- 2. SECTIONS-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
- 3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying EIGHT marks.**

SECTION-A

1. Give the difference between future and forward contracts.
2. Discuss the objectives of investment in securities.
3. What do you mean by Secondary Market? What are the various functions of stock exchange?
4. Discuss the important economic forces within which the factors of investment operate.
5. Differentiate between Systematic and Unsystematic risk.
6. What is industry life cycle? Bring out its relevance to the security analyst.

SECTION-B

UNIT-I

7. What do you mean by the term Investment? Discuss its process in detail.
8. a) Mr. Amit has a portfolio consisting of six securities with the following expected returns :
 $\bar{R}_1 = 10$ percent, $\bar{R}_2 = 12$ percent, $\bar{R}_3 = 14\%$, $\bar{R}_4 = 15\%$, $\bar{R}_5 = 16\%$ and $\bar{R}_6 = 18\%$.
The portfolio proportions invested in these securities are : $x_1 = 0.2$, $x_2 = 0.1$, $x_3 = 0.1$, $x_4 = 0.2$, $x_5 = 0.1$, $x_6 = 0.3$. Calculate expected portfolio return.
- b) Discuss the trading and settlement mechanism in secondary market.

UNIT-II

9. What do you mean by technical analysis? Discuss its assumptions. Explain Dow theory in detail and how it might be used to determine the direction of the stock market.
10. What do you mean by fundamental analysis? Explain various factors which should be considered in the company analysis.

UNIT-III

11. a) Stocks A and B display the following parameters :-

	Stock A	Stock B
Expected Return	20	25
Expected Variance	4	9
Covariance AB = +6		

Is there any advantage of holding some of A and some of B?

- b) Discuss in detail CAPM.
12. What do you mean by Portfolio evaluation? Discuss various portfolio revision techniques in detail.

UNIT-IV

13. Critically examine Value-at-Risk (VaR) approach.
14. Compute a call option price by applying the Black-Scholes option pricing model on the following values :

Strike price = Rs. 45

Time remaining to expiration = 183 days

Current stock price = Rs. 47

Expected price volatility = standard deviation = 25

Risk free rate = 10%

SECTION-C

15. Case Study :

Meghna Tax, an all equity financed multinational, is contemplating an expansion into an overseas market. It is considering whether to invest directly in the country concerned by building a Greenfield- site factory. The expected pay-off from the project would depend on the future state of the economy of Zeroland, the host country, as shown below :

State of Zeroland economy	Probability (P)	IRR from projects (%)
S1	.1	10
S2	.2	20
S3	.5	10
S4	.2	10

Meghna's existing activities are expected to generate an overall return of 30 % with a standard deviation of 14 %. The correlation coefficient of Meghna's returns with that of the new projects- 0.36, Meghna's returns have a correlation coefficient of 0.80 with the return of the market portfolio, while the new project has a correlation coefficient of -0.10 with the Indian market portfolio. The beta coefficient for Meghna is 1.20. The risk free rate is 12 %.

Questions :

- Determine the expected rate of return and standard deviation of return from the new project.
- If the new project requires the capital funding equal to 25 % of the value of the existing assets of Meghna, determine the risk-return characteristics of Meghna after the investment.
- What effect will the adoption of the project have on the beta of Meghna? Ignore all taxes.