

MBA: Semester III
MM: 50 Marks

Course: Security Analysis and Portfolio Management
Time: 3 Hours

Note: Attempt any five questions. All questions carry equal marks.

- Q1.** Discuss the various investment avenues available to investors with examples. Which are the important avenues with respect to tax planning. Comment on the current investment climate in our country.
- Q2.** (i) Explain the following with reference to Bond Valuation: (a) Par Value, (b) Redemption Value, (c) Current yield, (d) Yield to Call, and (e) Yield to Maturity.
- (ii) Determine the price of a Rs.1000 zero coupon bond with yield to maturity of 14% and 8 years to maturity. What is the YTM of this bond if its price is 250.
- Q3.** (i) Differentiate between the Fundamental and Technical Analysis approach. Explain the E-I-C framework.
- (ii) Century Company has a beta of 1.2. The risk free rate of return is 6% and the market return is 16%. In the last year, the company paid a dividend of Rs.2 and the growth rate in dividend is 8%. Estimate the equilibrium share price of the company.
- Q4.** Write short notes on any two of the following:
- (a) Primary and Secondary Markets
 - (b) Efficient Frontier
 - (c) Variance – Covariance matrix
 - (d) Dividend capitalization model
- Q5..** Answer any two of the following:
- (a) Distinguish between a feasible and an efficient portfolio. Is an efficient portfolio ever a feasible portfolio?
 - (b) “The single index model results in a substantial reduction in inputs required for portfolio analysis”. Elucidate.
 - (c) “Portfolio evaluation essentially comprises two functions, performance measurement and performance evaluation.” Discuss.
 - (d) “Formula plans attempt to make portfolio revision a simple and almost mechanical exercise.” Discuss.

Q6. (i) Given the following data, calculate the Sharpe Index, Treynor Index and Jensen Index of performance and explain their implication. Risk free rate is 8 %.

Fund	Mean Return	Beta	S.D.	Mean Market Return
XYZ	0.13	1.0	15 %	0.12
ABC	0.18	2.0	19 %	

(ii) Calculate the return, variance and standard deviation for a portfolio having the following characteristics:

Securities	Return (percent)	Standard deviation	Proportion of Investment
J	40	12	0.2
K	15	8	0.3
L	50	16	0.5

Correlation Coefficients: J & K = 0.8, J & L = 0.2, and K & L = 0.5

Q7. Write short notes on any two of the following:

- (a) Efficient Market theory
- (b) Basic Bond Theorems
- (c) Systematic and Unsystematic Risk
- (d) Capital Asset Pricing Model

Q8. Compute the risk and return of the portfolio consisting of the securities A, B, C, D and E with the following information:

Security	Return (%)	St. Div.	Proportion	Correlation Coefficients	
A	25	10	0.2	$r_{AB} = 0.3$	$r_{BD} = 0.3$
B	20	5	0.2	$r_{AC} = 0.2$	$r_{BE} = 0.2$
C	10	5	0.1	$r_{AD} = 0.3$	$r_{CD} = 0.3$
D	30	15	0.3	$r_{AE} = 0.2$	$r_{CE} = 0.2$
E	15	5	0.2	$r_{BC} = 0.3$	$r_{DE} = 0.3$