MBA 3rd Semester Examination, 2019

MBA

(Specialization : *Finance Management*)

(*Security Analysis and Portfolio Management*)

PAPER —MBA-307

Full Marks : 100

Time : 3 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

GROUP — A

Answer any **eight** questions :   2 × 8

1.   What is capital *market* ?

2. What is a 'managed portfolio' ?

3. Write down the formulae for portfolio risk in the case of a three-security portfolio.

4. What are oscillators ?

5. Explain the terms 'entry load' and 'exit load'.

6. Explain liquidity analysis as a part of company-level analysis.

7. What is Markowitz mean-variance rule ?

8. Explain the importance of CAPM in the field of finance.

9. Which are the two major stock market indices of India ?

10. What is RSI in Technical Analysis ?

11. What do you mean by Diversification ?

12. What is NAV ?

GROUP – B

Answer any **eight** questions : 4×8

13. Discuss the Random walk theory. 4

14. (*i*) What do you understand by a zero coupon bond ?

 (*ii*) Calculate the yield-to-maturity (using short cut method) of a bond having face value of Rs. 1000 and coupon rate of 11·2% which is going to mature at par after three years, assuming that the present selling price is Rs. 810. 1 + 3

15. Is investment the same as speculation ? Discuss. 4

16. Explain the concept of Japanese candlestick chart in the context of technical analysis. Give an example to show the chart. 4

17. You are required to compute the 7day relative strength index (RSI) for the share of Chumchum Ltd. whose closing prices during the last 15 days is given below : 4

(Turn Over)

Day	Price (Rs.)
1	80
2	75
3	72
4	77
5	84
6	81
7	78
8	83
9	89
10	87
11	84
12	84
13	86
14	89
15	85

18. Discuss in brief the role of a stock exchange. 4

19. The return of two securities X and Y during the last six months is given below :

Month	Return of X (%)	Return of Y (%)
1	10	8
2	12	13
3	18	15
4	14	11
5	9	11
6	15	14

You are required to compute the correlation coefficient between X and Y.   4

20. Write down the objectives of portfolio management.   4

21. Write a short note on Security Market Line.   4

22. Write a short note on the Capital Market Line.   4

23. What are the advantages of investing in Mutual Funds ?   4

24. What are the basic tenets of Dow Theory ?   4

GROUP – C

Answer any **four** questions : 8 × 4

25. Differentiate between systematic and unsystematic risk. Explain the sub-components under unsystematic risk ? 3 + 5

26. (i) What do you understand by default risk and liquidity risk in the context of securities ?

   (ii) Explain the terms active investing. 4 + 4

27. (i) There are two securities A and B in a portfolio and the ratio of their investment is 1 : 2. The average return of the securities is 15% and 11·4% respectively. The standard deviations are 14 and 18 respectively. If the correlation coefficient in the movement of their return is + 0·30, calculate the portfolio return and risk.

   (ii) Write a short note on industry analysis in the context of fundamental analysis. (2 + 2) + 4

28. Compute the NAV of a mutual fund scheme as on 10.2.2018 for which the following information is given :

The book of investments made under the scheme is Rs.45,00,000

The market value of investments is Rs. 50,50,000

The cash and cash equivalents held under the scheme is Rs. 5,50,000

The liabilities under the scheme is Rs. 32,80,000

Contingent liabilities amount to Rs. 2,50,000

The number of units is 1,50,000

If the NAV as on 10.2.2019 is Rs. 12.40 and the dividend received on every unit is Rs. 2.50 during the period, compute the annual return on the fund during the period.   4 + 4

29. Explain the weak, semi strong and strong forms of Efficient Market Hypotheses.   8

30. There are two securities in a portfolio. Security *R* has an expected rate of return of 7·5% and

standard deviation of 4%. Security S has an expected return 12% of and standard deviation of 10%. Draw the portfolio frontier, showing the relationship between expected return and risk, for the following cases of degree of correlation $r = +1$, $r = -1$, $r = 0$, and assuming varying proportions of weights of securities as Security $R = 100\%, 75\%, 50\%, 25\%$ and 0%. 8

[*Internal Assessment* : 20 Marks]