PG/IIIS/MBA/F(307)/22

MBA 3rd Semester Examination, 2022

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

(Elective Specialization : *Financial Management*)

PAPER – MBA-F-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

A. Answer any *eight* of the following questions : 5×8

1. Mr. Kamalesh is interested in buying the equity share of KBC Ltd. Which declared a dividend of Rs. 15 two years ago ? It is expected that dividend will continue to grow at the rate of 8%. If the expected price of the equity share after two years is Rs. 350, compute the intrinsic value of the share. (Assume that the cost of equity is 14%).

2. What is holding period rate of return? Explain its components.

3. Discuss in brief the concept of industry analysis.

4. Write a short note on 'support and resistance' as a tool for technical analysis.

5. There is a portfolio having two securities X and Y which are perfectly negatively correlated. The investment in these two securities is in the ratio of 3 : 5. The standard deviations of the security returns are 10% and 15% respectively. Compute portfolio risk and return.

6. Investment in mutual funds is better than investment in equity shares. Give your opinion.

7. The market price of the equity share of Z Ltd. on 31st March of different years is as follows :

Year	Rs.
2018	550.00
2019	616.00
2020	462.00
2021	693.00
2022	762.30

You are required to determine the average return during the period using :

(*a*) Arithmetic mean method

(*b*) Geometric mean method.

8. Mutual funds can meet the needs of different types of investors. Explain the statement.

9. What is financial risk ? How is it relevant in decision-making with respect to investments ?

10. Explain the Random Walk Theory.

11. Explain the role of correlation coefficient in reducing portfolio risk through diversification.

12. Distinguish between systematic risk and unsystematic risk.

B. Answer any *four* of the following questions : 10×4

13. (*i*) What is an index fund ?

(*ii*) Mr. Kapil wants to invest in two securities I and J, the details of which are given below :

Particulars	Security I	Security J
Return %	18	12
Variance	20.25	32.49
% of investment	30	70
Correlation coefficient	(–) 0.40	

(*a*) You are required to determine the following :

– Mean portfolio return

– Portfolio risk

(*b*) How can you minimize the portfolio risk in the given case ?

3 + (4 + 3)

14. (*i*) Following is the information about two securities Y and Z :

Particulars	Security Y	Security Z
Mean return	12%	20%
Standard deviation of returns (%)	15	18
Correlation coefficient	+ 0.30	

You are required to :

(*a*) Identify the better security

(*b*) Compute the covariance between the two securities.

(*ii*) Write down the assumptions of the Capital Asset Pricing Model. 2 + 2 + 6

15. (*i*) Discuss the characteristics of securities.

(*ii*) What are the difference between investment and speculation ? 6 + 4

16. (*i*) What are the differences between technical analysis and fundamental analysis ?

(*ii*) Explain the three trends in Dow Theory. 5 + 5

17. (*i*) What is net asset value in respect of mutual funds ? How is it relevant for investors ?

(*ii*) What is beta of a security ? How is it measured ? (2 + 3) + (3 + 2)

18. (*i*) You are required to rank the following fully diversified funds on the basis of the given information

Fund	Actual Return %	Beta	Std.dev.(%)
AA	19	2.2	15
BB	21	2.5	18
CC	16	1.8	22
DD	18	2.8	17

Assume that the market rate of return and risk-free rate of return is 14.5% and 4.5% respectively.

(*ii*) Describe the role of SEBI as a capital market regulator. 5 + 5

[*Internal Assessment* – 20 Marks]