Reg. No.								

MBA DEGREE (FT) III Semester End Semester Examination, DECEMBER 2022
21-371-0311: Security Analysis and Portfolio Management
(Regular)

Time: 3 Hours **Maximum Marks: 50**

Course Outcomes: On completion of the course, the student will be able to:-

CO1	Ability to recall the basic concepts and terms related to Financial Market, Financial Instruments, Risk, Return, Valuation of Securities and Portfolio Theories.
CO2	Enable the incumbents to understand fundamental factors affecting the security market.
CO3	Develop application skills in calculating risk and return from investments in security market and to value the securities.
CO4	Analyse the movement of security market using technical analysis.
CO5	Make the students capable to evaluate diversification strategy to construct investment portfolio with reference to modern portfolio theories.
CO6	Design and create optimum investment portfolio taking into account the risk and return of securities and the overall market environment.

BL – Bloom's Taxonomy:(L1- Remember, L2 - Understand, L3 - Apply, L4 - Analyse, L5-Evaluate, L6 - Create)

PART A
(***Answer ALL questions. Each question carries 2 marks***)

Q. No.	Questions	Marks	BL	CO
1	What are the key differences between an investor and a speculator?	2	2	2
2	Explain "Risk premiums".	2	1	3
3	Describe the relationship between bond price and time?	2	2	3
4	What is meant by 'Relative Strength Index'?	2	2	2
5	Explain the concept "efficient portfolio".	2	1	5

(5 x 2 = 10 marks)

PART B

(Answer ANY FIVE Questions. Each question carries 4 marks.)

Q. No.	Questions	Marks	BL	CO
6	Define new issue market. How is it related to the secondary market?	4	1	4
7 (a)	Define risk and distinguish between "systematic risk" and "unsystematic risk".	2	1	5
(b)	How does systematic risk affect the individual stock return?	2	2	4
8 (a)	Explain (i) current yield and (ii) yield to maturity.	2	2	3
(b)	A Rs. 100 par value bond bearing a coupon rate of 12% will mature after five years. What is the value of the bond, if the discount rate is 15%?	2	3	3
9	Describe and discuss the important technical formations on bar and line charts and the indications provided by them.	4	4	5
10 (a)	What is covariance? State the relationship between covariance and correlation.	2	4	3
(b)	Stocks Y and Z have the following parameters:	2	3	5

	Stock X	Stock Y
Expected Return	20	30
Expected variance	16	25
Covariance YZ	20	

Is there any advantage of holding a combination of Y and Z?

11	What are the three forms of market efficiency? Discuss its implications.	4	2	5
12	Explain the CAPM theory and its validity in the Indian stock market.	4	4	5

(5 x 4 = 20 marks)

PART C

(Answer ANY TWO questions. Each question carries 10 marks)

<table>
<tr><th>Q. No.</th><th>Questions</th><th>Marks</th><th>BL</th><th>CO</th></tr>
<tr><td>13</td><td>Explain the utility of the economic analysis and state the economic factors considered for this analysis by the investors in the Indian stock market.</td><td>10</td><td>5</td><td>2</td></tr>
<tr><td>14 (a)</td><td>How would you use ROC to predict the stock price movement?</td><td>5</td><td>4</td><td>4</td></tr>
<tr><td>(b)</td><td>Explain the Dow Theory. How is it used to determine the direction of stock market?</td><td>5</td><td>4</td><td>4</td></tr>
<tr><td>15</td><td>The stock of B Ltd. performs well relative to other stocks during recessionary periods. The stock of C Ltd., on the other hand, does well during growth periods. Both the stocks are currently selling for Rs. 100 per share. You assess the rupee return (dividend plus price) of these stocks for the next year as follows:
<table>
<tr><th></th><th colspan="4">Economic Conditions</th></tr>
<tr><th></th><th>High growth</th><th>Low growth</th><th>Stagnation</th><th>Recession</th></tr>
<tr><td>Probability</td><td>0.30</td><td>0.40</td><td>0.20</td><td>0.10</td></tr>
<tr><td>Return on B Ltd.'s stock</td><td>100</td><td>110</td><td>120</td><td>140</td></tr>
<tr><td>Return on C Ltd.'s stock</td><td>150</td><td>130</td><td>90</td><td>60</td></tr>
</table>
Calculate the expected return and standard deviation of investing:
(a) Rs. 1,000 in the equity stock of B Ltd.
(b) Rs. 500 each in the equity stock of B Ltd. and C Ltd.</td><td>10</td><td>3</td><td>5</td></tr>
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(2 x 10 = 20 marks)

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