

MBA Degree (FT/PT) III/V Semester University End Semester Examination, November 2023
21-371-0311/16-372-0512/20-372-0511: Security Analysis and Portfolio Management
 (Regular and Supplementary)

Time: 3 Hours

Max. 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. Nos.	Questions	Marks	BL	CO										
1	What steps are involved in a public issue of equity shares?	2	1	1										
2	You are thinking of acquiring some shares of SMS Ltd. The rates of return expectations are as follows: <table border="1" style="margin-left: 20px;"> <tr> <td>Possible rate of return (%)</td> <td>5</td> <td>10</td> <td>8</td> <td>11</td> </tr> <tr> <td>Probability</td> <td>0.20</td> <td>0.40</td> <td>0.10</td> <td>0.30</td> </tr> </table> Compute the expected return on investment.	Possible rate of return (%)	5	10	8	11	Probability	0.20	0.40	0.10	0.30	2	3	3
Possible rate of return (%)	5	10	8	11										
Probability	0.20	0.40	0.10	0.30										
3	Explain the uses of P/E ratio.	2	2	3										
4	How would you use ROC to predict the stock price movement?	2	1	4										
5	"Portfolio helps in risk reduction." Do you agree? Why?.	2	1	5										

(5 x 2 = 10 marks)

PART B

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

Q. Nos.	Questions	Marks	BL	CO
6	Examine the attributes that an investor should consider while evaluating an investment.	4	4	4
7	Explain the techniques of moving average analysis. Critically examine the buy and sell signals provided by them.	2 + 2	4	4

8	Identify the key macroeconomic variables and their impact on stock market.	4	3	2
9	Explain the applicability of the Elliot Wave Theory in determining the direction of the stock market.	4	3	4
10	Analyse the equilibrium risk return relationship according to the Arbitrage Pricing Theory.	4	4	6
11	The stock of VL Ltd. is currently selling at Rs. 250 per share. The stock is expected to pay Rs. 10 as dividend per share at the end of the next year. It is reliably estimated that the stock will be available for Rs. 290 at the end of one year. a. If the forecasts about the dividend and price are accurate, is it advisable to buy at the present price? His required rate of return is 20%. b. If the investor requires 15% return when the dividend remains constant, what should be the price at the end of the first year?	2 + 2	3	3
12	Analyse the three forms of efficient market hypotheses.	4	4	5

(5 x 4 = 20 marks)

PART C

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

Q. Nos.	Questions	Marks	BL	CO																				
13	<p>The returns of two securities under four possible states of nature are given below:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>State of Nature</th> <th>Probability</th> <th>Stock A</th> <th>Stock B</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>0.10</td> <td>8%</td> <td>5%</td> </tr> <tr> <td>2</td> <td>0.30</td> <td>12%</td> <td>10%</td> </tr> <tr> <td>3</td> <td>0.50</td> <td>16%</td> <td>20%</td> </tr> <tr> <td>4</td> <td>0.10</td> <td>20%</td> <td>25%</td> </tr> </tbody> </table> <p>a. What is the standard deviation of the returns on security A and security B? b. What is the covariance between the returns on security A and security B? c. What is the coefficient of correlation between the returns on security A and security B? d. Compare and interpret the risk of these securities.</p>	State of Nature	Probability	Stock A	Stock B	1	0.10	8%	5%	2	0.30	12%	10%	3	0.50	16%	20%	4	0.10	20%	25%	2+2+2+4	5	5
State of Nature	Probability	Stock A	Stock B																					
1	0.10	8%	5%																					
2	0.30	12%	10%																					
3	0.50	16%	20%																					
4	0.10	20%	25%																					
14	Explain the Capital Asset Pricing Model and its validity in the Indian stock market.	5 + 5	5	5																				
15	<p>a. Briefly explain the functions of stock exchanges in India. b. Examine the measures taken by the SEBI to protect the investors in the secondary market.</p>	5 + 5	5, 4	1																				

(2 x 10 = 20 marks)
