

**MASTER OF BUSINESS ADMINISTRATION
THIRD SEMESTER
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
MBA – 304C**

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

$1 \times 20 = 20$

Choose the correct answer from the following:

1. Which of the following is a money market instrument?
 - a. Government bond
 - b. Treasury bill (T-bill)
 - c. Equity share
 - d. Mutual fund
2. Which of the following is a non-marketable financial asset?
 - a. Commercial Paper
 - b. Fixed Deposit
 - c. Corporate Bond
 - d. Equity Share
3. Which index represents the Indian stock market?
 - a. S&P 500
 - b. Dow Jones
 - c. NSE Nifty
 - d. FTSE 100
4. In CAPM, the expected return of a security depends on:
 - a. Risk-free rate and beta
 - b. Dividend yield only
 - c. Historical stock price only
 - d. Historical stock price only
5. Beta of a stock measures:
 - a. Liquidity risk
 - b. Systematic market risk
 - c. Dividend yield
 - d. Unsystematic risk
6. Dematerialization of securities refers to:
 - a. Physical printing of shares
 - b. Converting shares into electronic form
 - c. Trading outside stock exchanges
 - d. Buying commodities
7. An investor holding multiple stocks to reduce risk is applying:
 - a. Diversification
 - b. Arbitrage
 - c. Speculation
 - d. Hedging
8. You notice a stock has increasing volume and rising prices. According to technical analysis, this is:
 - a. Bearish signal
 - b. Bullish signal
 - c. Insider trading
 - d. Arbitrage opportunity
9. Markowitz Portfolio Model primarily helps in:
 - a. Calculating dividends
 - b. Optimizing portfolio risk and return
 - c. Trading bonds
 - d. Predicting inflation

10. As a portfolio manager, you allocate assets across stocks, bonds, and commodities to minimize risk. This is called:
 - a. Tactical asset allocation
 - b. Strategic asset allocation
 - c. Random investment
 - d. Insider trading
11. Standard deviation is used to measure:
 - a. Expected return
 - b. Risk / Volatility
 - c. Dividend yield
 - d. None of the above
12. Correlation between two stocks tells us:
 - a. How stock prices move together
 - b. Dividend frequency
 - c. Risk-free rate
 - d. Bond rating
13. A stock with beta = 0.8 indicates:
 - a. Less volatile than market
 - b. More volatile than market
 - c. Same volatility as market
 - d. Risk-free
14. A stock is trading above its intrinsic value calculated using DDM. As a rational investor, you would:
 - a. Buy the stock immediately
 - b. Sell or avoid buying
 - c. Ignore valuation
 - d. Trade randomly
15. A stock with beta = 1.2, risk-free rate = 6%, and market return = 12% has an expected return (CAPM) of:
 - a. 12%
 - b. 13.2%
 - c. 14%
 - d. 15%
16. A company with a payout ratio of 50% and EPS of ₹10 pays dividend =?
 - a. ₹5
 - b. ₹10
 - c. ₹15
 - d. ₹20
17. If a stock's intrinsic value = ₹100 and market price = ₹80, the stock is:
 - a. Undervalued
 - b. Overvalued
 - c. Fairly priced
 - d. Speculative
18. Company A has EPS = ₹8, Dividend payout = 40%, required return = 12%, growth = 5%. Using GGM, intrinsic value =?
 - a. ₹30
 - b. ₹26.67
 - c. ₹28
 - d. ₹45.71
19. The main risk of speculation is:
 - a. Risk-free profit
 - b. Market risk or loss of capital
 - c. Guaranteed returns
 - d. Reduced volatility
20. Which derivative gives the right but not obligation to buy/sell an asset?
 - a. Forward
 - b. Future
 - c. Option
 - d. Swap

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Explain the concept of investment. How will you define financial assets, and how are these different from real assets? How does investment differ from speculation and gambling? As an investor, what possible investment avenues would you have considering risk, return, and time factors? 2+2+2+4=10
2. What is Fundamental Analysis? Explain its three major components. 2+3+5=10
 - a) Economic Analysis,
 - b) Industry Analysis, and
 - c) Company AnalysisUse examples from real Indian scenario to show how these levels of analysis help in identifying good investment opportunities.
3. What is Technical Analysis? Describe its key assumptions and tools such as moving averages, RSI, and MACD. Differentiate between technical analysis and fundamental analysis. Discuss whether technical analysis can be effective in an efficient market. 2+3+2+3=10
4. Explain the process of portfolio construction with reference to the Markowitz Portfolio Model. How does diversification help in reducing risk? Illustrate with an example showing how combining two securities with different risk levels and correlation affects the portfolio's overall risk. 3+2+5=10
5. What is the Efficient Market Hypothesis? Discuss its three forms. Explain with examples whether real-world markets like BSE or NSE follow the concept of efficiency. Also, discuss how market efficiency affects the usefulness of technical and fundamental analysis. 2+3+5=10
6. Explain the process of trading in securities in the Indian stock exchanges. 3+2+5=10

What is short selling? Discuss its mechanism, advantages, and risks. Explain the concepts of dematerialization of securities

7. Describe the Capital Asset Pricing Model (CAPM) and its assumptions.

5+5=10

Using CAPM, calculate the expected return of a stock given the following data:

Risk-free rate = 6%

Beta = 1.5

Market return = 12%

Interpret your result and explain how CAPM helps investors in pricing risk and selecting assets.

8. Discuss the objectives and importance of the SEBI (Prohibition of Insider Trading) Regulations, 2015. How do these regulations help in maintaining transparency and investor confidence in the Indian capital market?

5+5=10

A bond with a face value of ₹1,000 offers 8% annual coupon and matures in 5 years. The required rate of return is 10%. Calculate the present value of the bond and explain whether the bond is selling at a premium or discount.

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