

**MASTER OF BUSINESS ADMINISTRATION
THIRD SEMESTER
SECURITY ANALYSIS & PORTFOLIO MANAGEMENT
MBA-304 C**

Duration: 3 Hrs.

Marks: 70

PART : A (OBJECTIVE) = 20
PART : B (DESCRIPTIVE) = 50

[PART-B : Descriptive]

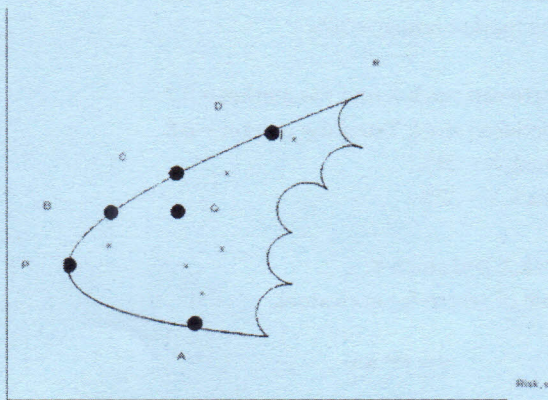
Duration: 2 Hrs. 40 Mins.

Marks: 50

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

1. Distinguish between Investment and Gambling. Discuss the various types of Investment. (4+6=10)
2. What do you mean by risk? Discuss the various types of risk. (2+8=10)
3. Define Fundamental Analysis. What is the importance of economic variables in such analysis? Do you think that knowing the current status of economy is useful in analyzing stock market movements? If so, explain. (2+3+3+2=10)
4. What do you mean by efficient portfolio and efficient frontier? In the following diagram which are the efficient portfolio and why? (5+5=10)

Return



PTO

5. Given below are the likely returns in case of shares of VCC Ltd. and LCC Ltd. in the various economic conditions. Both the shares are presently quoted at Rs. 100 per share. (5+5=10)

Economic Conditions	Probability	Returns of VCC Ltd.	Returns of LCC Ltd.
High Growth	0.3	100	150
Low Growth	0.4	110	130
Stagnation	0.2	120	90
Recession	0.1	140	60

Which of the two companies are risky investments?

6. (a) Stock PS has an 8%, Rs.100 par value issue outstanding. The appropriate discount rate is 10%. What is the value of the preferred stock? (4+6=10)
- (b) Stock GP has an expected growth rate of 16% for the first 3 years and 8% thereafter. Each share of stock just received an annual Rs.3.24 dividend per share. The appropriate discount rate is 15%. What is the value of the common stock under this scenario?
7. (a) From the given data evaluate the portfolios using Sharpe, Treynor and Jensen's Model: (2+2+2=6)

Particulars	Portfolio A	Portfolio B	Portfolio C
Return	21%	25%	20%
Beta	0.9	1.6	1.0
Standard Deviation	5%	6%	9%

Market Return = 12% and Risk Free Rate = 8%

- (b) The following information is available: (4)
- Expected return for the market = 14%
 - Standard deviation of the market return = 20%
 - Risk-free return = 6%
 - Correlation coefficient between stock X and the market = 0.7
 - Correlation coefficient between stock Y and the market = 0.8
 - Standard deviation of stock X = 24%
 - Standard deviation of stock Y = 32%

You are required to:

- a) Calculate the beta for stock X and stock Y.
- b) Calculate the required rate of return for each stock.

= = *** = =

**MASTER OF BUSINESS ADMINISTRATION
THIRD SEMESTER
SECURITY ANALYSIS & PORTFOLIO MANAGEMENT
MBA-304 C**

[PART-A : Objective]

Choose the correct answer from the following :

1×20=20

1. Which of the following is not a financial investment?
 - a. Purchase of shares.
 - b. Purchase of bonds
 - c. Purchase of car.
 - d. Purchase of debentures.
2. Which of the following is a tax saving investment?
 - a. Fixed deposit
 - b. Shares
 - c. NSC
 - d. Debenture
3. The object of portfolio is to reduce _____ by diversification.
 - a. Return
 - b. Risk
 - c. Uncertainty
 - d. Percentage
4. The Negotiable financial investment is different from the non-negotiable financial investment in terms of:
 - a. Maturity period
 - b. Interest rate
 - c. Transferability
 - d. Face value
5. Which one of the following is a money market instrument?
 - a. Treasury Bills
 - b. Equity share
 - c. Debenture
 - d. Preference Share
6. Stock Exchange:
 - a. Helps in the fixation of stock prices.
 - b. Ensures safe and fair dealing.
 - c. Induces good performances by the company.
 - d. All the above.
7. The Sensex has:
 - a. 25 stocks
 - b. 30 stocks
 - c. 33 stocks
 - d. 35 stocks
8. Default risk is lower in:
 - a. Treasury bills.
 - b. Government bonds.
 - c. ICICI bonds.
 - d. IDBI bonds.
9. Mr A purchase a stock in the market. His holding period return depends on the:
 - a. Purchase price of the stock.
 - b. Selling price of the stock.
 - c. Dividend paid to the stock.
 - d. All the above.
10. The fall in the interest rate is conducive to the stock market because:
 - a. Money may flow from the bond market to stock market.
 - b. Corporate can borrow at easy terms.
 - c. Brokers can do business at borrowed funds.
 - d. 'b' and 'c'
11. In the stock market psychology:
 - a. Investor forgets the past.
 - b. History repeats itself.
 - c. More faith in future prediction.
 - d. 'a' and 'b'.
12. An investor is having a portfolio with a combination of stock and bonds in the ratio of 75:25. He is:
 - a. Risk averse.
 - b. Risk neutral.
 - c. A risk taker.
 - d. Active in Portfolio Management.
13. The Highly liquid security is:
 - a. Mutual Fund units
 - b. Treasury bills
 - c. Shares
 - d. Commercial papers
14. CAPM means:
 - a. Capital Assets Pricing Model.
 - b. Capital Assets Pricing Method.
 - c. Capital Assets Price Method.
 - d. Capita Assets Price Model.

15. The NSE-Nifty has:
- 25 stocks
 - 50 stocks
 - 55 stocks
 - 35 stocks
16. Mr X purchased a stock for Rs.50 and he disposed it for Rs.48. During the holding period he received Rs.3 as dividend then his holding period return is:
- 1 percent
 - 2 percent
 - 3 percent
 - 1.5 percent
17. Mr A is a daring portfolio manager. He wants to increase the return of his portfolio. He should choose stocks from:
- Defensive industry.
 - Industry at a growth stage.
 - Industry in the maturity period.
 - Industry with more export potential.
18. Point charts, line charts, vertical bar charts, etc. depict:
- Rate of changes in prices
 - Trends in prices
 - Volume of trading
 - All of the above
19. The beta of stock A is 2.0 and is currently in equilibrium. The required return on the stock is 12% and the expected return on the market is 10%. Suddenly due to changes in the economic conditions, the expected return on the market increases to 12%. Other things remaining the same, what would be new required return on the stock?
- 15.0%
 - 16.0%
 - 18.5%
 - 20.0%
 - 22.0%
20. The Market return is 20% and the riskless rate of return is 7%. The fund's beta coefficient is 1.2 What is its expected return?
- 2.5
 - 22.6
 - 31.0
 - 24.8

UNIVERSITY OF SCIENCE & TECHNOLOGY, MEGHALAYA



[PART (A) : OBJECTIVE]

Duration : 20 Minutes

Serial no. of the main Answer sheet

Course :

Semester : Roll No :

Enrollment No : Course code :

Course Title :

Session : 2017-18 Date :

Instructions / Guidelines

- The paper contains twenty (20) / ten (10) questions.
- Students shall tick (✓) the correct answer.
- No marks shall be given for overwrite / erasing.
- Students have to submit the Objective Part (Part-A) to the invigilator just after completion of the allotted time from the starting of examination.

Full Marks	Marks Obtained
20	

== *** ==

.....
Scrutinizer's Signature

.....
Examiner's Signature

.....
Invigilator's Signature