MASTER OF BUSINESS ADMINISTRATION
Third Semester
SECURITY ANALYSIS & PORTFOLIO MANAGEMENT
(MBA – 304 C)

Duration: 3Hrs. **Full Marks: 70**

Part-A (Objective) =20
Part-B (Descriptive) =50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins. **Marks: 50**

Answer any *four* from *Question no.* 2 to 8
***Question no.* 1 is compulsory.**

1. Explain the meaning of investment. What are the factors and constraint of successful investment? (3+7=10)
2. What are the different investment alternatives provided by different financial markets? What is the difference between Primary market and secondary market? (5+5=10)
3. Define Securities Market and state the broad classification of the same. What is a stock index and its purpose? (6+4=10)
4. a)The information about an equity stock is given below: (6+4=10)

   Price at the beginning of the year= Rs.60

   Dividend paid at the end of the year= Rs.2.40

   Price at the end of the year= Rs.69

   Calculate the return of the equity stock?

   b) If nominal rate of return and inflation rate are 12.4% and 5.6% respectively, what is the real rate of return?
5. The weights, returns and variance of returns of two stocks that constitute an investment portfolio are given below. Find the portfolio return and risk. (4+6=10)

Stock	$E(R_i)$	W_i	Variance (σ_i^2)	Standard Deviation (σ_i)
A	0.12	0.40	0.0064	0.08
B	0.18	0.60	0.0100	0.10

Correlation coefficient between returns of Stocks A and B = 0.8

6. a) Bond P has a Rs.1, 000 face value and provides an 8% annual coupon. The appropriate discount rate is 10%. What is the value of the perpetual bond?

   b) A Preference Share has an 8%, Rs.100 par value issue outstanding. The appropriate discount rate is 10%. What is the value of the preferred share?

   c) 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? (3+3+4=10)

7. Explain Markowitz Portfolio Theory? Differentiate between Systematic and Unsystematic risk. (10)

8. The possible returns and associated probabilities of Securities X and Y are given below: (10)

Security X		Security Y	
Probability	Return (%)	Probability	Return (%)
0.05	6	0.10	5
0.15	10	0.20	8
0.40	15	0.30	12
0.25	18	0.25	15
0.10	20	0.10	18
0.05	24	0.05	20

Calculate the expected return and standard deviation of securities X and Y.

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REV-00
MBA/12/18 2016/12

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Duration: 20 minutes **Marks – 20**

(PART A - Objective Type)

I. Choose the correct answer: **1×10=10**

1. Which of the following is not a financial investment?
   (i) Purchase of shares (ii) Purchase of bonds
   (iii) Purchase of car (iv) Purchase of debentures

2. Technically, investments include
   (i) only financial assets
   (ii) only marketable assets
   (iii) financial and real assets that is marketable or non- marketable
   (iv) only financial and real assets that is marketable

3. Which of the following is a tax saving investment?
   (i) Fixed deposit (ii) Shares
   (iii) NSC (iv) PPF

4. The fundamental analysis approach has been associated with __________.
   (i) Uncertainties (ii) Certainties
   (iii) Ratios (iv) Balance sheet

5. Most investors are risk averse which means:
   (i) they will assume more risk only if they are compensated by higher expected return.
   (ii) they will always invest in the investment with the lowest possible risk.
   (iii) they actively seek to minimize their risks.
   (iv) they avoid the stock market due to the high degree.

6. The object of portfolio is to reduce __________ by diversification.
   (i) Return (ii) Risk
   (iii) Uncertainty (iv) Percentage

7. CAPM means :
   (i) Capital Assets Pricing Model (ii) Capital Assets Pricing Method
   (iii) Capital Assets Price Method (iv) Capita Assets Price Model

8. Portfolio weights are found by:
   (i)dividing standard deviation by expected value.
   (ii)calculating the percentage each asset is to the total portfolio value.
   (iii)calculating the return of each asset to total portfolio return.
   (iv) dividing expected value by the standard deviation.

9. The ....is defined as the present value of all cash proceeds to the investor in the stock.
   (i) dividend payout ratio intrinsic value (ii) intrinsic value
   (iii) market capitalization rate (iv) plowback ratio

10. According to Markowitz, an efficient portfolio is one that has the
   (i) largest expected return for the smallest level of risk.
   (ii) largest expected return and zero risk.
   (iii) largest expected return for a given level of risk.
   (iv) smallest level of risk.

II. State true or false: **1×10=10**

1. Investments are concerned with risk and return.
2. Investments involve long-term commitments.
3. Speculation brings about stable return for long-term period of time.
4. Speculation is considered with review and analysis and investments with capital gain.
5. Investments are based on portfolio construction, valuation, identification and analysis.
6. The variable investments consist of cash, bonds and savings certificates.
7. The investment objective is high risk and high return.
8. Arbitrage is a long-term investment.
9. The commodity investment is through saving bank.
10. Indirect securities consist of mutual fund and life insurance securities.

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