SET A

MBA
THIRD SEMESTER
SECURITIES ANALYSIS AND PORTFOLIO MANAGEMENT
MBA – 304C

[USE OMR FOR OBJECTIVE PART]

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

(Objective)

Time: 20 min. **Marks: 20**

Choose the correct answer from the following: *1×20=20*

1. Which of the following best describes the primary purpose of capital markets?
   a. To provide short-term financing
   b To facilitate the trading of securities for long-term funding
   c. To offer savings accounts and fixed deposits
   d. To manage currency exchange rates

2. Which of the following is NOT considered a money market instrument?
   a. Treasury Bills
   b. Commercial Paper
   c. Corporate Bonds
   d. Certificates of Deposit

3. What is the primary advantage of investing in equity securities?
   a. Guaranteed returns
   b. Ownership in a company and potential for capital appreciation
   c. Fixed interest payments
   d. Low volatility

4. Which of the following is an advantage of mutual funds?
   a. Higher fees compared to individual stock investments
   b. Greater risk concentration in a single asset
   c. Professional management and diversification
   d. No liquidity risk

5. In commodity derivatives, which of the following describes a futures contract?
   a. An option to buy an asset at a specified price
   b. A legal agreement to buy or sell an asset at a predetermined price on a specific date
   c. A security that represents ownership in a commodity
   d. A type of insurance against price fluctuations

6. What is the expected return of an investment if it has a 60% chance of returning 10% and a 40% chance of returning 5%?
   a. 7%
   b. 8%
   c. 9%
   d. 10%

7. Variance measures which of the following in a set of investment returns?
   a. The average return
   b. The dispersion of returns around the expected return
   c. The total return
   d. The relationship between two assets

8. Which of the following is a key macroeconomic indicator that reflects the overall economic performance of a country?
   a. Consumer Price Index (CPI)
   b. Price-to-Earnings (P/E) Ratio
   c. Current Ratio
   d. Return on Equity (ROE)

9. When selecting stocks for a portfolio, which of the following is NOT a commonly used criterion?
   a. Earnings growth potential
   b. Historical volatility
   c. Personal preference for the company's brand
   d. Dividend yield

10. Which of the following best describes asset allocation?
    a. Investing only in stocks
    b. The process of dividing investments among different asset categories
    c. Timing the market to maximize returns
    d. Focusing on a single asset class to achieve high returns

11. An investor's risk tolerance is most closely associated with which of the following?
    a. Their investment horizon
    b. Their age and financial situation
    c. The current market trend
    d. The amount of capital they have

12. What is the primary purpose of economic analysis in fundamental analysis?
    a. To evaluate individual stocks
    b. To assess the overall health of the economy
    c. To analyze price movements
    d. To determine market trends

13. What is the primary purpose of the Securities and Exchange Board of India (SEBI)?
    a. To promote the development of the banking sector
    b. To regulate and protect the interests of investors in the securities market
    c. To manage government bonds
    d. To provide loans to businesses

14. SEBI was established in which year?
    a. 1988
    b. 1992
    c. 1995
    d. 2000

15. Employment of funds with the aim of achieving additional income is known as ______
    a. Investment
    b. Speculation
    c. Gambling
    d. Betting

16. _________ Analysis refers to the study of the variables that influence the future firm both qualitatively and quantitatively.

a. Company analysis
b. Industry analysis
c. Economic analysis
d. Technical analysis

17. Which type of market efficiency declares that current security prices totally reflect all information, equally public and private?

a. Weak
b. Strong
c. Semi-strong
d. None of these

18. CAPM stand for

a. Capital assets products method.
b. Capital assets pricing model.
c. Capitalization assets of product market.
d. None of the Above.

19. The main objective of portfolio is to reduce _______ by diversification.

a. Return
b. Risk
c. Uncertainty
d. Percentage

20. Which of the following factor is considered to be appropriate combination to be considered for selection of investment?

a. Risk, return and time horizon
b. Risk and Capital Appreciation.
c. Risk and Valuation.
d. None of the above.

Descriptive

Time: 2 hr. 40 mins. **Marks: 50**

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

1. State the meaning of financial market. Discuss the different types of financial markets. Explain the main differences between money markets and capital markets. 3+3+4=10

2. Explain the different types of mutual funds and discuss the main advantages and disadvantages of investing in mutual funds compared to individual stocks. 5+5=10

7.

ine financial derivatives. Explain the different types of financial -rivatives. state the participants in derivatives markets. 3+5+2=10

4. Discuss the concepts of expected return, variance, standard deviation, beta, and correlation. Explain how each of these metrics contributes to the understanding of an investment's risk and return profile. 5+5=10

5. Explain the three components of fundamental analysis: Discuss how these components interact to provide a comprehensive understanding of an investment opportunity. Provide an example of a company and illustrate how each component would be assessed. 3+5+2=10

6. State the meaning of portfolio construction. Discuss the various approaches to portfolio construction. state the criteria condition before selection of portfolio. 5+5=10

7. Define investment and explain its key characteristics. Discuss the investment-making process and outline various alternative investment opportunities available to investors. 5+5=10

8. David, an investor at Adani Group, is evaluating his investment portfolio's performance over the next four year. He is particularly interested in understanding how different economic conditions might affect his returns. The expected yearly returns for his investment are as follows 5+3+2=10

Year	Rate (%)
2019	4
2020	5
2021	3
2022	6

David wants to calculate the average return he can expect over this four-year period. Additionally, he seeks to assess the risk and volatility of the investment by determining the variance of these returns. Finally, he aims to find out the minimum and maximum rates of return he can expect by calculating the standard deviation. Calculate the expected rate of return, variance, and standard deviation for David's investment over the four-year period and write a suitable interpretation.

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