

b) Company X has a beta of 1.45. The expected risk free rate of interest is 2.5%. and the expected return on the market as a whole is 10%. Using CAPM calculate the expected rate of return.

8. Discuss the meaning and importance of Technical analysis. Mr. Hasanabba provides you following data for a particular period of one month.

4+6=10

	Portfolio (P)	Market (M)
Average Return	0.35	0.28
Beta	1.2	1.0
Standard deviation	0.42	0.30
Non-systematic risk	0.18	0

Calculate the following performance measure for portfolio P and the market: Sharpe, Treynor, Appraisal ratio.

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

(Use separate answer scripts for Objective & Descriptive)

Duration : 3 hrs.

Full Marks : 70

[**PART-A : Objective**]

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1×20=20

- Investment is the:
 - Net addition made to the nation's capital stocks.
 - Peron's commitment to buy a flat or house.
 - Employment of funds on assets to earn returns
 - Employment of funds on goods and services that are used in production process.
- Portfolio means:
 - Combination of assets
 - Buying of one asset
 - Buying of one security
 - Buying of more than one security
- Which of the following is not a financial investment?
 - Purchase of shares
 - Purchase of bonds
 - Purchase of car
 - Purchase of debentures
- If you buy a company's stock:
 - You own a part of the company.
 - You have lent money to the company.
 - You are liable for the company's debts.
 - The company will return your original investment to you with interest.
- Point charts, line charts, vertical bar charts, etc. depict:
 - Rate of changes in prices
 - Trends in prices
 - Volume of trading
 - All of the above
- Primary market and secondary market:
 - Compete with each other
 - Complement each other
 - Function independently
 - Control each other
- The Sensex has:
 - 25 stocks
 - 50 stocks
 - 55 stocks
 - 30 stocks
- Equity share holder's rights are listed below. One of the rights is incorrect.
 - Right to have first claim in the case of winding of the company.
 - Right to vote at the general body meeting of the company.
 - Right to share profits in the form of the dividends.
 - Right to receive a copy of the statutory report.
- Which one of the following is capital market security?
 - Equity Share
 - Treasury bills
 - Commercial Paper
 - Certificate of Deposits

10. Mr X purchased a stock for Rs. 50 and he disposed it for Rs. 48. During the holding period he received dividend Rs.3 then his holding period return is:
 a. 1% b. 2% c. 3% d. 1.5%
11. Suppose a preferred stock's annual dividend is of Rs.3 and required rate of return is 15%, what is its worth today?
 a. Rs. 20 b. Rs. 25 c. Rs. 30 d. Rs. 15
12. Diversification reduces:
 a. Interest rate risk b. Market risk
 c. Unique risk d. Inflation risk
13. The risks involved in the purchase of Infosys and Wipro shares are measured with help of:
 a. Average return of stocks b. Co-variance between two companies
 c. Variance of each company's stock d. All of the above
14. Mr. Raj purchased treasury bills since:
 a. The returns are certain.
 b. Minimum variation in the return.
 c. The return is certain and the variation is nil.
 d. There is assurance of full payment of principal.
15. The security market line describes the expected return for:
 a. The efficient portfolio b. The inefficient portfolio
 c. All portfolios and assets d. The efficient and inefficient portfolios
16. The Stock above the security market line is:
 a. Overpriced b. Underpriced
 c. Appropriately price d. Of high risk
17. If you buy a company's bond:
 a. You are liable for the company's debts b. You own a part of the company
 c. You have lent money to the company d. Don't know
18. Manik owns a wide variety of stocks, bonds, and mutual funds to lessen her risk of losing money. This is called:
 a. Saving b. Compounding
 c. Diversifying d. Don't know
19. Which of the following is a tax saving investment?
 a. Fixed deposit b. Shares
 c. PPF d. Recurring Deposit
20. The trading of listed securities in BSE Sensex market is known as:
 a. Primary market b. Secondary market
 c. Money Market d. None of the above

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[PART-B : Descriptive]

Time : 2 hrs. 40 min.

Marks : 50

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

1. What do you mean by risk? Discuss the various types of risk in Investments. 2+8=10
2. Explain various investment alternatives available for an Indian investor? Discuss the factors to be considered for investment decision. 5+5=10
3. a) "Stock Market Indices are barometer of the market" - Discuss. 5+5=10
 b) Consider two situations, a young man X in early twenties and another young man Y in late thirties. X and Y earn the same amount of money. Mr Y has a family, a house, a car and all the encumbrances related to marital status. Both of them like to invest in securities. What would be their constraints and objectives of investment?
4. What is portfolio diversification? How can efficient diversification be achieved? 3+7=10
5. What do you mean by valuation of securities? How does it help the investors in making investment decision? 4+2+2+2=10
 Bond P has a Rs.1,000 face value and provides an 9 % annual coupon. The appropriate discount rate is 10%. What is the value of the perpetual bond?
 Stock AB has an 8%, Rs.100 par value issue outstanding. The appropriate discount rate is 10%. What is the value of the preferred stock?
 Stock XY has an expected dividend growth rate of 8%. Each share of stock just received an annual Rs. 3.24 dividend. The appropriate discount rate is 15%. What is the value of the common stock?
6. The possible returns and associated probabilities of Securities Wipro and Infosys are given below: 10

Security Wipro		Security Infosys	
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 risk for security Wipro and Infosys.

7. a) The Covariance of returns on two securities A and B is -0.0005. The standard deviation of A's return is 4% and standard deviation of B's return is 6%. What is the correlation between returns of A and B? 5+5=10

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