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Third Semester MBA Degree Examination, June/July 2015
Security Analysis and Portfolio Management

Time: 3 hrs.　　　　　　　　　　　　　　　　　　　　　　　Max. Marks:100

Note: 1. Answer any FOUR full questions from Q1 to Q7.
2. Question No.8 is compulsory.
3. Present value table can be provided on request.

1 a. Define the term 'investment' as it relates to security investment. (03 Marks)
  b. What are margins? Briefly explain various types of margins. (07 Marks)
  c. What is meant by 'clearing and settlement of security transactions'? What are the clearing and settlement procedures at NSE? (10 Marks)

2 a. What is YTM? (03 Marks)
  b. From the following information compute the RSI of ACC Ltd. (07 Marks)

Date	Feb 4	Feb 6	Feb 7	Feb 8	Feb 11	Feb 12	Feb 13	Feb 14	Feb 18	Feb 19
Price ₹	300	304	319	317	319	333	331	332	348	346

  c. Write a brief note on EMH. (10 Marks)

3 a. Distinguish between resistance and support in technical analysis. (03 Marks)
  b. Explain briefly the DOW theory. (07 Marks)
  c. Elucidate the key economic variables that an investor must monitor as part of fundamental analysis. (10 Marks)

4 a. What do you mean by dematerialization? (03 Marks)
  b. Calculate the expected rate of return from the following information :
    Risk free rate of return　　　　　　– 9%
    Exported market return　　　　　　– 15%
    S.D of security　　　　　　　　　　– 2.4%
    Market S.D　　　　　　　　　　　　– 2.0%
    Correlation coefficient of the security with the market 0.9. (07 Marks)
  c. The visual computer corporation, has been experiencing an above normal dividend growth rate of 25% per year for the past 5 years, the above normal growth rate is expected to continue for another 5 years before it levels off at a normal rate of 7%. The last dividend paid by the company is Re.1 per share. Determine the current value of the stock if its required rate of return is 20 per cent. (10 Marks)

5 a. What are Japanese candle sticks? (03 Marks)
  b. What is risk? What are its types? (07 Marks)
  c. Explain the bond value theorem. (10 Marks)

6 a. What is P/E ratio? (03 Marks)
  b. A bond of ₹ 1000 face value, bearing a coupon rate of 12% will mature after 7 years. What is the value of the bond if the discount rates are 14% and 12%? (07 Marks)
  c. The Roe and Boa corporations have the following expected risk and return inputs for the next year.

	ROE	BOA
Return (%)	20	23
σ	21	25
r = 0.4		

Find out the portfolio risk, if 50% of fund is allocated for each stock.
Determine the correlation co-efficient that is necessary to reduce the level of portfolio risk by 25%. (10 Marks)

7 a. Mention the assumptions of APT with Indian example. **(03 Marks)**

   b. A company issues 5 year 12.5% redeemable bond of ₹ 1000 which is redeemable at a premium of ₹ 50. The current market interest rate is 15%. Compute the duration of the bond. **(07 Marks)**

   c. The following information is provided regarding the performance of the funds namely Birla, Sundaram and sun-life for a period of 6 months. The risk free rate of interest is assumed to be 9%. Rank the funds using Sharpe and Treynor index.

Fund	R_p	σ_p	β
Birla	25.38	4	0.23
Sundaram	25.11	9.01	0.56
Sun-life	25.01	3.55	0.59

(10 Marks)

8 Case Study :
   Stock L and M have yielded the following returns for past two years.

Years	Return (%)	
	L	M
2013	12	14
2014	18	12

   a. What is the expected return on portfolio made up of 60% of L and 40% of M? **(05 Marks)**

   b. Find out the standard deviation of each stock. **(05 Marks)**

   c. What is the covariance and co-efficient of correlation between stock L and M? **(05 Marks)**

   d. What is the portfolio risk of a portfolio made up of 60% of L and 40% of M? **(05 Marks)**

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