(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7041   Roll No.

M.B.A.

(SEM. III) EXAMINATION, 2008-09
SECURITY ANALYSIS AND INVESTMENT MANAGEMENT

Time : 3 Hours]   *[Total Marks : 100*

Note :   *(1)*   *Attempt* **all** *questions.*

          (2)   *All questions carry* **equal** *marks.*

1   Attempt any **four** parts of the following :   5×4=20

   (a)   Dividend on equity share during the current year is Rs. 6.50 per share, these have a face value of Rs. 10 each. Dividends are expected to grow at a constant growth rate of 8% infinitely. An investor expects a return of 20% p.a. Suggest him at what price he should buy these shares.

   (b)   What do you understand by primary market and what are its components ?

   (c)   What are the requirements for listing on a stock exchange ?

   (d)   What is Gilt-edged securities market ?

   (e)   What are the risks faced by a Portfolio Manager ?

   (f)   What is capital market line ?

2 A has an expected return of 22% and standard **5×4=20**
deviation of 40%. B has an expected return of 24%
and standard deviation of 38%. A has a β of 0.86
and B has a β of 1.24. The correlation coefficient
between their returns is 0.72. The standard deviation
of the market return is 20%. Suggest :

(a) Is investing in B company better than A ?

(b) If you invest 30% in B and 70% in A, what is
your gain ?

(c) What is market portfolio rate of return and
risk-free rate ?

(d) What is beta of portfolio if weights of A Ltd.
and B Ltd. are 70% and 30% ?

OR

2 What are the basic dimensions of Fundamental **20**
analysis ? How fundamental analysis is different from
technical analysis ?

3 A 9% Rs. 100 face value debenture having a **20**
provision for redemption at a premium of 5% at the
end of five year, is being issued in the market. An
investor has expected rate of return 15%, suggest him
at what price he should be ready to buy this.

OR

3 What assumptions underlie the Black and Scholes **20**
model ? What is the value of a call option as per
Black and Scholes model ?

4 Develop the capital market line in view of the **20**
fact that unlimited borrowing and lending
opportunities are available at the risk-free rate
of interest.

OR

4 (a) What is Arbitrage Pricing Theory ? Explain **10×2=20**
and elucidate.

(b) Differentiate between β and σ as measure of
risk.

5 Analyse the different types of Mutual Funds. **20**
What are the performance indicators of managed
portfolio.

OR

5 Attempt any two parts of the following : **10×2=20**

(a) How will you evaluate performance of existing
portfolio ?

(b) Explain Sharpe and Treynor measures.

(c) Bring out the significance of the concept of
efficient market frontier.

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