Printed pages: 4	NMBAFM01
(Following paper code and roll No. to be filled in your answer book)	
Paper code: 270369	Roll No.

MBA
(SEM III) THEORY EXAMINATION 2014-15
SECURITY ANALYSIS & INVESTMENT MANAGEMENT

Time: 3 Hours **Max. Marks: 100**

Section A

1: *Attempt **Any Four** Questions from this section. Each question carries equal marks.* **(5x4=20)**

a. Differentiate Investors and Speculators. Discuss the Various Investment Alternatives in detail.

b. What are the powers vested with SEBI to promote the development of Security Market?

c. What do you understand by Derivative? Differentiate Forwards and Futures.

d. An investor wants to analyze his portfolio using Markowitz or Sharpe techniques. His portfolio consists of 25 different stocks. He is not aware of the bits of information needed to evaluate the portfolio. He wants to adopt a technique which requires minimum information. As a portfolio manager which method would you advise him to use? Reason out your answer.

e. Discuss about the role of Portfolio Management in Mutual Funds Industry.

f. Differentiate Fundamental and Technical Analysis. Explain various types of Charts used by technical analyst.

Section B

2: *Attempt **the Case study** question.* **(30 x 1 = 30)**

Stocks *TATA* and *BIRLA* display the following returns over the past three years:

Year	Return	
	TATA	BIRLA
1994	14	12
1995	16	18
1996	20	15

Answer following:

a. What is the expected return on portfolio made up of 40 per cent of *TATA* and 60 per cent of *BIRLA*?
b. What is the standard deviation of each stock?
c. Determine the correlation co-efficient of stock *TATA* and *BIRLA*.
d. What is the portfolio risk of a portfolio made up of 40 per cent *TATA* and 60 per cent *BIRLA*?

OR

An investor wants to build a portfolio with the stock of Bharti, Reliance, Uninor Company. The market is assumed to be bullish and the return from the market is expected to be 22 per cent.

Company	Alpha (a)	Beta (b)
Bharti	0.67	0.92
Reliance	0.89	1.12
Uninor	0.56	1.88

Answer following:

a. If he allocates equal proportion to the three stocks, what would be his return?
b. If he utilises 50 per cent of his money for the purchase of Y stock and divides the remaining equally between the X and Z stocks, what would be his portfolio return?

Section C

***Note:** Attempt **All** questions from this section. Each question carries equal marks.* **(5x10=50)**

3. Differentiate New Issue Market and Secondary Market? Also discuss Listing and Delisting and its procedure. Discuss functions of Stock Exchanges.

'OR'

A bond with the face value of Rs 1,000 pays a coupon rate of 9 per cent. The maturity period is 9 years Find out the

(a) Approximate yield to maturity if the require rate of return is 10%
(b) Current yield.

4. What do you understand by Beta? How is it calculated? Define Portfolio Revision. How will you evaluate a portfolio of two risky securities?

'OR'

With a 9 per cent risk free rate of return, the NSE- Nifty portfolio is having an expected return of 21 per cent and a standard deviation of 8. In the '*X*' portfolio, the mean is 15 per cent and standard deviation is 8. In the '*Y*' portfolio, the mean is 20 per cent and the standard deviation is 12. For portfolio '*Z*', the return is 21 per cent and standard deviation is 16. Choose the best portfolio.

5. Explain Capital Asset Pricing Model. How does it help in estimating the expected the expected return of a security?

'OR'

The CAPM was estimated for some period in the market. The actual return of two Portfolios is given below:
Portfolio A: Actual return = 14 per cent Beta = 0.8
Portfolio B: Actual return = 20 per cent Beta = 1.2
The equation of the CAPM is Ri = .07 +0.10 bi
What can be said about the portfolio's performance?

6. "The share price fluctuations are random and do not follow any regular pattern". Highlight the statement in view of Efficient Market Theory. Also discuss different forms of efficiencies.

'OR'

The market received rumors about Excel Corporation's tie up with the multinational company. This has induced the market price to move. If the rumor is false, the Excel stock price will probably fall dramatically. To protect from this an investor has bought the call and put option.

I. Purchased one 3 month **call** with a striking price of Rs 42 for Rs 2 premium.

II. Paid Re 1 per share premium for a 3 month **put** with a striking price of Rs 40.

a) Determine the investor's position if the tie up offer bids the price of Excel's stock up to Rs 43 in 3 months.

b) Determine the investor's ending position if the tie up program fails, and the price of Excel's stock falls to Rs 36 in 3 months.

7. "Diversification reduces the unsystematic risk or unique risk but cannot reduce systematic or un-diversifiable risk", focusing over the statement discuss the Markowitz Model.

'OR'

Write short notes on **Any Two** of the following:

a) Single Index Modal

b) Arbitrage Pricing Theory.

c) Various types of yield curve

d) Three Phase Modal