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(Following Paper ID and Roll No. to be filled in your Answer Book)	
Paper ID : 270305	Roll No.⃞⃞⃞⃞⃞⃞⃞⃞⃞⃞

MBA

(SEM. III) THEORY EXAMINATION, 2015-16

SECURITY ANALYSIS & INVESTMENT MANAGEMENT

[Time:3 hours]   [Total Marks : 100]

Note : The question paper contain three sections :

Section - A

1.   Attempt **all** questions of the following :   (2x10=20)

(a)   "Gilt edged securities markets offer safe investments". Comment.

(b)   Differentiate between CML & SML.

(c)   What according to you could be the reasons why companies issue shares in the primary market ?

(d)   Define investment ? Is investment different from speculation ?

(e)   Define risk and highlight the differences between systematic and unsystematic risk.

(f)   What are the objectives of an investment ?

(1)   P.T.O.

(g) A 3 year bond with the face value of Rs. 1,000 pays a coupon rate of 8% is currently selling at 905. Find out the current yield.

(h) Define Optimum Portfolio.

(i) Highlight the concept of Arbitrage Pricing Theory.

(j) SENSEX is the stock market indicator of BSE. Comment.

Section - B

Attempt **any five** of the following : (10x5=50)

2. What do you mean by primary market ? Explain the key differences between primary and secondary market. Briefly discuss the trading and settlement procedure at stock exchanges.

3. Fundamental analysis helps in analyzing the fundamentals whereas technical analysis helps in analyzing the timing of the market. Discuss.

4. Dividend on a share during current year Rs. 20, the face value Rs. 100. Dividends are expected to grow at a constant rate 10.9% for 5 years and then 8% infinitely. An investor expects a return of 25% p.a. Suggest him at what price he should buy it ?

5. What do you understand by term structure of interest rate ? How do theories explain the term structure of the interest rate ?

6. What are the basic assumptions of CAPM ? Discuss the application of CAPM in portfolio selection.

7. Portfolio evaluation is carried out to assess the risk and return of different portfolios. Discuss the methods of portfolio evaluation.

8. What is diversification ? Briefly explain the Markowitz Model of Portfolio selection.

9. 'Indian stock market is effecient'. In light of the given statement disucss the effecient market Hypothesis and the various forms of efficiency.

Section - C

Attempt **any two** of the following : (15x2=30)

10. Following information is available in respect of a bond :

Face Value	Rs. 1000
Life	5 Years
Expected yield	10%
Coupon Rate	7%
Maturity	At par

(a) How much price an investor should be ready to pay for the bond if the interest is payable half-yearly basis ?

(b) What would be the bond price if interest is paid yearly ?

11. As a portfolio manager & with the help of following details, calculate Trenyor, Sharpe & Jensen measures for the four mutual funds :

Security	Expected Return	BETA (β)	σ
A	0.34	1.71	0.40
B	0.12	1.30	0.36
C	0.25	1.10	0.42
D	0.12	0.96	0.24
Nifty Index	0.13	1.00	0.20
T-bills(Rf)	0.09		

12. Stocks of XYZ and ABC display the following returns over the past three years :

Year	Return	
	XYZ Ltd.	ABC Ltd.
1994	19	13
1995	16	17
1996	22	16

Answer the following :

(a) What is the expected return on portfolio made up of 20 percent of XYZ Ltd. and 80 percent of ABC Ltd. ?

(b) What is the standard deviation of each stock ?

(c) Determine the correlation co-efficient of stock XYZ and ABC.

(d) What is the portfolio risk of a portfolio made up of 20% of XYZ Ltd. and 80% of ABC Ltd. ?