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End Semester Examination, December 2024
MBA– III Semester
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT (MCSP724)

Time: 2.5 hrs.

Max Marks: 50

Note: *All Questions are compulsory. Marks are indicated against each question.*

PART-A

5 x 2 = 10

Q.1 **Attempt any five of the following.**

- (a) What is difference between primary & Secondary market? [CO-1] [L-1] 2
- (b) Compare and contrast blue chips and penny stocks [CO-1] [L-1] 2
- (c) Write a note on dematerialisation. [CO-1] [L-2] 2
- (d) Discuss the linkages between domestic and global stock markets. [CO-1] [L-1] 2
- (e) Beta of market portfolio is always zero. [CO-1] [L-2] 2
- (f) Discuss Security Market Line (SML). [CO-1] [L-2] 2
- (g) Distinguish between fundamental analysis and technical Analysis. [CO-1] [L-2] 2

PART-B

10 x 4 = 40

Q.2 Discuss emerging issues in securities markets in India. Also highlight some of the major initiatives and policy changes introduced in Indian Stock Market over the last decade. [CO-2] [L-2] 10

OR

The management of a company expects that the company's earnings as well as dividends will grow at the rate of 20% p.a. for the next three years. After three years the management expects some decline in growth rate and hence a growth rate of 12% p.a. for the 4 years. Thereafter the company will grow at a normal growth rate of 8% p.a. forever. The last dividend paid by the company was Rs.5 per share and the required rate of return is 12% [CO-2] [L-2] 10

- (i.) Calculate the intrinsic value of the share
- (ii.) Should an investor buy this share at its current market price of Rs. 180? Why?

Q.3 What is technical analysis? How is it different from fundamental analysis? Explain any three market indicators which can be used by a technical analyst to understand market conditions. [CO-3][L-3] 10

OR

Following information is available for two risky stocks X and Y [CO-4] [L-4] 10

	Stock X	Stock Y
Expected Return (%)	25	18
S.D (%)	30	25

- (i.) Construct minimum variance portfolio comprising of X and Y if coefficient of correlation between the stocks is 0.25, calculate this portfolio's risk and return.

- (ii.) Construct the zero-risk portfolio comprising of X and Y if coefficient of correlation is -1, calculate portfolio return.
- (iii.) Construct a portfolio that generates a return of 21 %

Q.4 Discuss Arbitrage Pricing Model (APT). Is it an improvement over Capital Asset Pricing Model (CAPM)? Support your answer with arguments. [CO-5] [L-5] **10**

OR

Given the following returns of Asset A and the market: 12% (Asset X), 8% (market), calculate the beta of Asset A if the covariance between the asset and market is 0.025 and the variance of the market is 0.02 [CO- 4] [L-4] **10**

Q.5 From the following information given regarding the eight stocks, construct an optimal portfolio, using an appropriate model. Assume no short sales. [CO-5] [L-5] **10**

Stocks	Ri (%)	Beta	Residual Variance (%)
A	20	1.4	20
B	15	1.2	30
C	13	1.5	40
D	18	1.1	30
E	10	0.8	10
F	12	1.0	40
G	18	1.4	20
H	11	1.2	50

Assume that the risk-free rate is 6% and market variance is 20%.

OR

Write notes any two of the following [CO- 5] [L-5] **10**

- (i.) Risk adjusted measures of portfolio performance evaluation
- (ii.) Security characteristics line
- (iii.) Factors affecting option premium