# [31005]

# SPECIAL DRIVE-DEC./JAN.-2023

# M.B.A. DEGREE EXAMINATIONS

# THIRD SEMESTER

# SPECIALIZATION : FINANCIAL MANAGEMENT

# Paper - V : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

***(2016-17 and 2017-18 Admitted Batches)***

**Time : 3 Hours** **Maximum Marks: 75**

## SECTION - A

**I.** Answer any **FIVE** questions not exceeding **one** page each. **(5×4=20)**

1) Explain the Investment Process.
2) What are the basic valuation models of bonds?
3) How charts are interpreted in technical analysis?
4) Assumptions of Markowitz Model.
5) Sharpe's Performance Measure.
6) How to calculate NIFTY?
7) Assumptions of Capital Asset Pricing Model.
8) What is Asset Management Company?

## SECTION - B

**II.** Answer **ALL** questions not exceeding **Four** pages each. **(5×8=40)**

1. a) What is Investment? Discuss the various channels available to an investor for making investments.

**(OR)**

b) What is the role of New Issue Market? How is it related to the Stock Exchange?

2. a) 'Systematic risk cannot be controlled but unsystematic risk can be reduced' Elaborate.

**(OR)**

b) X Ltd. estimates the probability and the expected returns as returns for the five observations as follows:

| | | | | | |
|---|---|---|---|---|---|
| Probability | 0.1 | 0.2 | 0.4 | 0.2 | 0.1 |
| Possible return | -10% | 5% | 20% | 35% | 50% |

Calculate the expected values of return and standard deviation.

3. a) What is Company Analysis? What financial statements in your opinion are helpful to understanding the company's prospects?

**(OR)**

b) What is Random Walk Theory? What does it project in its weak form, semi-strong form and strong form?

4. a) Distinguish between capital market line and security market line.

**(OR)**

b) Given Rf = 6%, E = (Rm) = 15% and expected returns and expected Betas are as follows:

| ***Stock*** | ***Expected Returns*** | ***Expected Beta*** |
|---|---|---|
| A | 14% | 1.20 |
| B | 15% | 0.75 |
| C | 13% | 1.50 |
| D | 20% | 1.60 |
| E | 10% | 0.80 |

Which stock is overvalued and which is undervalued, relative to expected return.

5. a) What is Mutual Fund? And explain different types of mutual funds.

**(OR)**

b) Explain the Treynor's performance measure for portfolios in detail.

## SECTION - C

**III. Case Study (Compulsory).** **(1×15=15)**

ABC Co. and XYZ Co. have the following probability distribution of returns. Determine the expected covariance of returns.

| **State of Market** | **Probability (P)** | **Return (ABC Co.)** | **Return (XYZ Co.)** |
|---|---|---|---|
| Recession | 0.1 | 10 | 20 |
| Boom | 0.2 | -12 | -30 |
| Normal | 0.2 | -7 | -20 |
| Slow Growth | 0.1 | 20 | 40 |
| Recovery | 0.4 | 30 | 35 |