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FM-2106/MS-404

Security Analysis and Portfolio Management

Master of Business Administration
(MBAH-11/MBA-10/12/13/16/17)

4th Semester Examination, 2019 (June)

Time : 3 Hours] **Max. Marks : 80**

Note : This paper is of Eighty (80) marks divided into three (03) sections A, B and C. Attempt the questions contained in these sections according to the detailed instructions given therein.

SECTION–A

(Long Answer Type Questions)

Note : Section 'A' contains four (04) long answer type questions of Nineteen (19) marks each. Learners are required to answer any two (02) questions only.

(2×19=38)

1. What are the main functions of a stock exchange? In what ways is a stock exchange indispensable for an economy?

2. Why is diversification important, and what form does it take in view of the different needs, age groups, marital status, health and attitudes of the investors?

3. What is the essential difference between the Sharpe and Treynor Indexes of portfolio performance? Which do you think is preferable? Why?

4. Discuss the Efficient Market Hypothesis in each of its three forms. What are its implications?

SECTION–B

(Short Answer Type Questions)

Note : Section 'B' contains eight (08) short answer type questions of eight (08) marks each. Learners are required to answer any four (04) questions only. (4×8=32)

Briefly discuss any four (04) of the following :

1. Why is it necessary to maintain a liquid secondary market in securities in India?

2. Why do individual invest? What factors contribute to the rate of return that investors require on an investment?

3. Why is it riskier to buy unlisted securities?

4. What are the advantages and disadvantages of investing in mutual funds?

5. Why must an analyst always investigate the industry when looking at particular security?

6. What are the strengths and weaknesses of the Markowitz approach?

7. With a risk-free rate of 5 per cent, and with the market portfolio having an expected return of 10 percent with a standard deviation of 5 percent, what is the Sharpe index for portfolio A, with a return of 8 percent and a standard deviation of 10 percent? For portfolio B, having a return of 12 percent and a standard deviation of 8 percent ? Would you rather be in the market portfolio or one of the other two portfolios?

8. What are advantages and disadvantages to a company of raising finance by issuing the ordinary shares?

SECTION–C

(Objective Type Questions)

Note : Section 'C' contains ten (10) objective type questions of one (01) mark each. All the questions of this section are compulsory. (10×1=10)

Write True/False against the following :

1. Investments are based on portfolio construction, valuation, identification and analysis.

2. The relationship between stocks, returns and market index's structure is called beta.

3. A closed-end company sells shares through private placement.

4. Bond interest is usually paid semi-annually.

5. A portfolio is a collection of securities.

Choose correct answer :

6. The goal of fundamental analysis is to find securities

   (a) With high market capitalization rates.

   (b) With a positive present value of growth opportunities

   (c) With intrinsic value exceeds market price

   (d) All of the above.

7. The portfolio theory as described by Markowitz is most concerned with

   (a) The elimination of systematic risk

   (b) The identification of unsystematic risk

   (c) The effect on diversification on portfolio risk

   (d) Active portfolio management to enhance returns.

8. If a portfolio manager consistently obtains a high Sharpe measure, the manager's forecasting ability.................

(a) is above average

(b) is average

(c) is below average

(d) does not exist.

9. Which one of the following statement regarding open-ended mutual fund is false.

(a) The funds redeem shares at net asset value

(b) The fund offer investors a professional management

(c) The fund offer investors a guaranteed rate of return

(d) All of the above.

10. Business use derivatives for which of the following purposes

(a) Hedge

(b) Offset debts

(c) Attract customers

(d) Enhance their balance sheet.