

3M3011

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M. B. A. III Sem. (Main) Exam., Jan. 2016

Finance

M-310 Security Analysis and Portfolio Management

Time: 3 Hours

Maximum Marks: 70

Min. Passing Marks: 28

Instructions to Candidates:

- (i) *The question paper is divided in two sections.*
- (ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is **compulsory**.*
- (iii) *All questions carry **equal marks**.*

1. NIL

2. NIL

SECTION-A

- Q.1 (a) Briefly describe the wide array of investment avenues.
- (b) Describe the procedure for buying shares and selling shares. [7+7 = 14]
- Q.2 (a) Define the return generating process according to APT.
- (b) What are the key steps involved in portfolio management ? [6+8 = 14]
- Q.3 (a) Discuss the key macroeconomic variables and their impact on stock market.
- (b) What are the basic premises of technical analysis ? [7+7 = 14]
- Q.4 A fund begins with Rs. 100 million and reports the following results for three periods:

Peroid

Particulars	1	2	3
Rate of return	7%	16%	10%
Net inflow (end of period)	10	2	0
Rs. In million			

Compute the following : (i) Arithmetic average returns (ii) time-weighted (geometric average) return (iii) IRR. [14]

Q.5 Define the following :

- (a) What are the principal tasks of SEBI ?
- (b) SENSEX & NIFTY.
- (c) BFS
- (d) DCA

[14]

Q.6 In the Indian capital market the risk-free rate of returns is 2.25% and the capital market risk premium is 15%. Assuming that the capital asset pricing model holds what beta co-efficient you associate with five companies with following expected returns:

Company	Expected Returns
Bajaj	15%
Reliance	18%
Tata	20%
Birla	35%
Infosys	25%

[14]

SECTION-B

Q.7 Case study :

[14]

Sigma Steel (SS) and Chi Cements (CC) are listed on the stock exchange for the last several years. The stocks behave in tandem depending upon the state of economy but to varying degrees. An analyst has conducted a study to find out how the interrelationships of the returns of the two stocks. He segregated different economic conditions and calculated the returns offered by each firm during such periods. The summary of his findings is as follows:

Situation	Problem (Probability)	Past returns % SS	Past returns % CC
Excellent	.15	20	15
Good	.15	15	12
Normal	.50	12	9
Poor	.20	-3	-1

Find out the following :

- (a) The expected return of each of the stock.
- (b) Standard deviation of each stock.
- (c) Covariance and coefficient of correlation between returns of stock X and stock Y.