

MBA DEGREE EXAMINATIONS: APRIL/MAY 2014

(Regulation 2012)

Third Semester

MASTER OF BUSINESS ADMINISTRATION

MBA629: Security Analysis and Portfolio Management

Time: Three Hours

Maximum Marks: 100

Case Study:-

PART A (1 x 20 = 20 Marks)

1. The following three portfolios provide the particulars given below.

| Portfolio | Average Annual Return | Standard Deviation | Correlation Co-efficient market and portfolio |
|-----------|-----------------------|--------------------|---|
| A | 18 | 27 | 0.8 |
| B | 14 | 18 | 0.6 |
| C | 15 | 8 | 0.9 |
| Market | 13 | 12 | --- |

Risk free rate of interest is 9

- a) Rank these portfolios using Sharpe's Treynor's and Jensen Methods.
b) Compare both the indices.

Answer all the Questions:-

PART B (10 x 2 = 20 Marks)

- Define Investment.
- What is Market Capitalization?
- Differentiate Fundamental Analysis with Technical Analysis.
- What is MACD
- What is Support and Resistance Level?
- Differentiate CAPM and APT.
- What is meant by candlestick chart?
- What is a formula plan?
- What is an Efficient Portfolio?

11. Define Portfolio management services?

PART C (4 x 15 = 60 Marks)

12. a) Explain the evolution of Capital market in India.

(OR)

- b) What is Security market Indicators? Briefly explain the role played by them in selection of scrip?

13. a) Explain the industry life cycle and Industry relevant factors with suitable examples.

(OR)

- b) Discuss in detail 1. ROC 2. RSI and 3. Oscillators.

14. a) Complete the blanks in the following table, assuming the relevant equilibrium model in the CAPM with unlimited borrowing and lending at the riskless rate of return.

| Stocks | Expected Return | Standard Deviation | Beta | Residual Variance |
|--------|-----------------|--------------------|------|-------------------|
| A | 0.18 | -- | 1.5 | 0.12 |
| B | 0.15 | 0.50 | 0.75 | 0.05 |
| C | -- | -- | 0.60 | 0.14 |

(OR)

- b) (i) What is Dow theory? (5)
(ii) A chemical company paid a dividend of Rs.2.75 during the current year. Forecasts suggest that earnings and dividends of the company are likely to grow @ 8% p.a. over the next 5 years and at the rate of 5% thereafter. Investors have traditionally required a rate of return of 20% on these shares. (10)

What is the present value of the stock?

15. a) Mr. David is constructing an optimum portfolio. The market return forecast says that it would be 13.5% for the next two years with the market variance of 10%. The risk free rate of return is 5%. The following securities are under view. Find out the optimum portfolio

| Company | α | β | σ_{ei}^2 |
|---------|----------|---------|-----------------|
| Anil | 3.72 | 0.99 | 9.35 |
| Avil | 0.60 | 1.27 | 5.92 |
| Bow | 0.41 | 0.96 | 9.79 |
| Viril | -0.22 | 1.21 | 5.39 |
| Billy | 0.45 | 0.75 | 4.52 |

(OR)

- b) Explain the process of portfolio management and what is the need to have different strategies in portfolio revision?
