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**Question Paper Code : 85521**

M.B.A. DEGREE EXAMINATION, FEBRUARY 2012.

Elective

DBA 1723/DBA 1750 — SECURITY ANALYSIS AND PORTFOLIO  
MANAGEMENT

(Regulation 2007/2009)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is investment activity?
2. How is cost of debt capital computed?
3. Who are conservative investors?
4. What is meant by the security market live?
5. What are the forecasting techniques?
6. What do you understand by the valuation of bonds?
7. What is moving average?
8. Differentiate the two type of mutual fund.
9. What are the types of public sector bonds?
10. What is an efficient port folio?

PART B — (5 × 16 = 80 marks)

11. (a) What is investment? Describe the various stages of investment?

Or

- (b) Evaluate the utility of preferred stock as a means of obtaining long-term funds.

12. (a) What are the relevance's of cost of capital in "Capital Budgeting" and "Capital Structure Planning" — Decision?

Or

- (b) What is "new issue market"? How does it differ from the "Secondary Market"? Are they connected to each other?

13. (a) Describe the relationship between fundamental analysis and technical analysis.

Or

- (b) Discuss the role of private placements in raising resources in the primary capital market.

14. (a) The percentage returns on 4 stocks,  $A^z$ ,  $B^x$ ,  $C^y$  and  $D^e$  over a period of from 2005 to 2010 have been as follows.

	2005	2006	2007	2008	2009	2010
$A^z$	10	12	-8	15	-2	20
$B^x$	8	4	15	12	10	6
$C^y$	7	8	2	9	6	12
$D^e$	9	9	11	4	8	16

Compute the following and assume equi-proportional investment

- (i) Portfolio of two stocks at a time
- (ii) Portfolio of three stocks at a time
- (iii) Portfolio of all the stocks.

Or

- (b) Explain how an investor realizes an interest when he purchases a zero coupon bond?

15. (a) Briefly explain the Markowitz Portfolio selection model.

Or

- (b) A Mutual Fund has 200 share of XYZ Co., currently trading at Rs. 14 and 200 shares of ABC Co., currently trading at Rs. 140. The fund has issued 150 shares.

- (i) What is the NAV of the fund?
- (ii) If investors expect the price of the XYZ Co's shares to increase to Rs. 18 and price of ABC Co., to decline Rs. 110 by the end of the year, what is the expected Rs. 110 by the end of the year.
- (iii) What is the maximum that the price of ABC Co., can decline to maintain the NAV as estimated in (i)?