

PGDM THIRD SEMESTER EXAMINATION - 2015

PAPER BM3.07(F) : SECURITY ANALYSIS & PORTFOLIO MANAGEMENT

Time : 3 hours

Max. Marks : 75

Note : i) Answer ALL the questions.

ii) Do as directed in each of the Sections A, B and C.

iii) The figures in the right-hand margin indicate marks-composition.

SECTION-A

1. Answer any FIVE of the following in about 200 words each : (5 x 3 = 15)
- (a) Explain the role of depositories in stock market.
 - (b) Distinguish between systematic and unsystematic risk.
 - (c) What do you understand by term-structure of interest rates?
 - (d) Which financial ratios will you study for doing company analysis?
 - (e) Examine the stages in portfolio management.
 - (f) What is the significance of beta in equity investing?
 - (g) Briefly discuss the constant growth model of equity valuation.

SECTION-B

2. Attempt any TWO of the following : (2 x 7.5 = 15)
- (a) "SEBI has performed well its role of developing securities market". Critically examine this statement.
 - (b) Discuss various forms of Efficient-Market Hypothesis (EMH) and its applicability in Indian securities market.
 - (c) What is CAPM (Capital Asset Pricing Model)? How realistic are its assumptions?
 - (d) Discuss various types of risks faced by an equity investor.

3. Write explanatory notes on any TWO of the following : (2 x 5 = 10)

- (a) Elliot Wave Theory
- (b) Macro economic Analysis
- (c) Portfolio Revision
- (d) Bond duration

SECTION-C

4. Attempt any TWO of the following : (2 x 10 = 20)

- (a) From the following data, calculate the risk and return of a portfolio containing 50% of stock A and 50% of stock B.

Market Condition	Probability	Expected Return	
		A	B
Boom	0.25	40%	40%
Growth	0.50	20%	30%
Recession	0.25	10%	20%

- (b) A fund manager has apprehension that in the short-term, market will decline. His portfolio comprises :

Stock	Weights	Betas
A	0.35	1.37
B	0.20	0.99
C	0.20	0.91
D	0.10	1.19
E	0.15	0.95

Compute portfolio beta and advise the fund manager suitably.

- (c) A bond is currently trading at a YTM (Yield-To-Maturity) of 7%. It has a maturity of 5 years, a coupon rate of 9% and has a provision of semi-annual interest payments. What should be its current market price? (Assume redemption at par value of Rs. 1000).

5. Read carefully the problem below and answer the questions given in the end. (15)

	Annual Return	Standard Deviation	Beta
Portfolio X	10%	18%	0.6
S&P 500	12%	13%	1.00
T-bills	6%	N/A	N/A

- (a) Calculate the Treynor and Sharpe measures for both portfolio X and S&P 500. Briefly explain whether portfolio X underperformed, equaled or outperformed the S & P 500 on a risk adjusted basis using both the Treynor and Sharpe measure.
- (b) If there is a conflict in your conclusion based on Treynor and Sharpe measure, explain the reason.

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