Printed Page:- Subject Code:- AMBAFM0311

Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA

SEM: III - THEORY EXAMINATION (2021 - 2022)

Subject: Security and Portfolio Management

Time: 03:00 Hours Max. Marks: 100

General Instructions:

1. All questions are compulsory. It comprises of three Sections A, B and C.

- Section A - Question No- 1 is objective type question carrying 1 mark each & Question No- 2 is very short type questions carrying 2 marks each.
- Section B - Question No- 3 is Long answer type - I questions carrying 6 marks each.
- Section C - Question No- 4 to 8 are Long answer type - II questions carrying 10 marks each.
- No sheet should be left blank. Any written material after a Blank sheet will not be evaluated/checked.

SECTION A 20

1. Attempt all parts:-

1-a. How many companies are included in the SENSEX? (CO1) 1

1. 30
2. 50
3. 111
4. 25

1-b. The term Bullish indicates: (CO1) 1

1. Positive price action
2. Negative price action
3. Neutral price action
4. None of these.

1-c. In EIC approach, E stands for earnings of the company (CO2) 1

1. TRUE
2. FALSE

1-d. Double top and triple top patterns are bearish in nature (CO2) 1

1. TRUE
2. FALSE

1-e. A bond that makes no coupon payments (and thus is initially priced at a deep discount to par value) is called a --------- bond.(CO3) 1

1. Treasury
2. municipal

3. floating rate
4. zero-coupon

| | | | |
|---|---|---|---|
| 1-f. | EPS depends on net profit available to………………. Shareholders.(CO3)<br>1. Equity<br>2. Preference<br>3. Debenture<br>4. Both A and B | 1 |
| 1-g. | What does the standard deviation measure?(CO4)<br>1. The gain on the investment<br>2. the holding period<br>3. Risk<br>4. amount of dividend | 1 |
| 1-h. | Systematic risk is diversifiable (CO4)<br>1. TRUE<br>2. FALSE | 1 |
| 1-i. | The ------------ measures the reward to volatility tradeoff by dividing the average portfolio excess returned by the standard deviation of returns (CO5)<br>1. Jensen measure<br>2. Treynor measure<br>3. Sharpe measure<br>4. none of these | 1 |
| 1-j. | The final phase in Portfolio Management is of (CO5)<br>1. Security Analysis<br>2. Portfolio Revision<br>3. Portfolio Evaluation<br>4. Portfolio Execution | 1 |

2. Attempt all parts:-

| | | |
|---|---|---|
| 2-a. | Explain risk as a characteristic of investment. (CO1) | 2 |
| 2-b. | Explain the bearish trend. (CO2) | 2 |
| 2-c. | Explain the concept of zero coupon bond. (CO3) | 2 |
| 2-d. | Explain how the number of input data estimates required in Markowitz model calculated. (CO4) | 2 |
| 2-e. | Explain reward to variability ratio. (CO5) | 2 |

SECTION B 30

3. Answer any <u>five</u> of the following:-

| | | |
|---|---|---|
| 3 | Explain elements of risk. (CO1) | 6 |
| 3 | What are the two statistical methods used for calculation of Beta? (CO1) | 6 |
| 3-c. | Explain the hypothesis of Dow theory (CO2) | 6 |
| 3-d. | Explain the merits of technical analysis as a tool of security analysis. (CO2) | 6 |

3-e. The investment decision of the fundamental analyst is based on the relationship between market price and intrinsic value. Explain (CO3) 6

3-f. Explain the risk return calculation of a portfolio with more than two securities. (CO4) 6

3-g. Distinguish between Sharpe ratio and Treynor ratio. (CO5) 6

SECTION C 50

4. Answer any <u>one</u> of the following:-

4-a. Calculate the expected return and standard deviation of returns for ITC ltd. with the following details: (CO1) 10

| Possible returns | Probability of occurrence |
|---|---|
| -15 | 0.10 |
| -5 | 0.10 |
| 0 | 0.10 |
| 10 | 0.15 |
| 15 | 0.20 |
| 20 | 0.20 |
| 25 | 0.15 |

4-b. Explain different components of systematic risk and unsystematic risk. (CO1) 10

5. Answer any <u>one</u> of the following:-

5-a. Describe different types of price charts used by technical analyst. (CO2) 10

5-b. Explain EIC concept in reference to fundamental analysis of share valuation. (CO2) 10

6. Answer any <u>one</u> of the following:-

6-a. The value of a bond is equal to the present value of its expected cashflows. Explain with an example (CO3) 10

6-b. Explain the equity valuation model which assumes that dividends will grow at the same rate into the indefinite future. (CO3) 10

7. Answer any <u>one</u> of the following:-

7-a. Explain the impact of covariance on portfolio risk when security returns are perfectly positively correlated, negatively correlated and uncorrelated. (CO4) 10

7-b. The following information is available in respect of 4 portfolios: (CO4) 10

| Portfolio | Expected return | Standard Deviation |
|---|---|---|
| I | 13% | 0.08 |
| II | 10% | 0.06 |
| III | 17% | 0.13 |
| IV | 20% | 0.18 |

The risk free rate is 6% . Which portfolio is best in terms of expected return using Sharpe ratio.

8. Answer any <u>one</u> of the following:-

8-a. Explain the difference between ETFs and mutual funds.(CO5) 10

8-b. The actual return realised from a fund Is 12% with beta coefficient being 0.7. The market return is 15% and the risk free rate is 7%. Calculate the expected return and the differential return. (CO5) 10