(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7126 **Roll No.** | | | | | | | | | | |

M.B.A.

(SEM. III) ODD SEMESTER THEORY EXAMINATION 2010-11

SECURITY ANALYSIS AND INVESTMENT MANAGEMENT

Time : 3 Hours *Total Marks : 100*

Note :— (1) Attempt **all** questions.

(2) All questions carry equal marks.

1. Write short notes on any **four** of the following :— **(5×4=20)**

(a) Risk and return relationship

(b) Requirements for listing on a stock exchange

(c) Primary market and its component

(d) Gilt edged securities market

(e) Margin trading

(f) SENSEX.

OR

2. Differentiate between :— **(5+10+5=20)**

(i) Bar chart and Candlestick chart.

(ii) Fundamental analysis and Technical analysis.

(iii) Primary Trend and Secondary Trend.

OR

A firm had paid dividend at Rs. 2 per share last year. The estimated growth of the dividends from the company is estimated to be 5% p.a. Determine the estimated market price of the equity share if the estimated growth rate of dividends.

(i) rises to 8% and

(ii) falls to 3%

Also find out the present market price of the share, given that the required rate of return of the equity investors is 15·5%. **(20)**

3. Define the standard deviation of the return on a two-security portfolio. Explain why variance of a well-diversified portfolio is largely determined by the covariance terms. **(20)**

OR

Following information is available in respect of a bond :

Face Value	Rs. 1000
Life	3 years
Expected Yield	10%
Coupon Rate	8%
Maturity	At par

How much price an investor should be ready to pay for the bond if the interest is payable half yearly on yearly basis ? **(20)**

4. (i) What is Arbitrage Pricing Theory ? How does it explain the expected return of a security ?

(ii) What do you mean by β factor ? Explain the relevance of β factor in the investment analysis. **(10×2=20)**

OR

Following information is available in respect of two securities :

	A	B
Expected Return	22%	17%
Beta factor (β)	1·5	0·7

Assume I_{RF} = 10% and R_M = 18%.

Find out whether the securities A and B are correctly priced ?

(20)

5. (i) Define mutual fund and distinguish between a closed-ended and open-ended mutual fund.

(ii) Distinguish between Sharpe ratio and Treynor ratio.

(10×2=20)

OR

The risk and return of the market portfolio are 12% and 19% respectively. The risk free interest rate is 10% and unlimited lending and borrowing is possible at this rate. Comment on the efficiency of the following portfolios :

Portfolio	**Expected Return**	**Risk (σ)**
A	24%	30%
B	22%	16%
C	17%	10%

(20)