Printed Pages : 4 **MBAFM-02**

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

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

M.B.A.

(Semester-III) Theory Examination, 2011-12

SECURITY ANALYSIS AND INVESTMENT MANAGEMENT

Time : 3 Hours] *[Total Marks : 100*

Note : Attempt questions from each Section as indicated.

Section-A

Attempt *all* parts. Answer in 50-75 words each. 2×10=20

1. (a) Define capital market efficiency.

(b) What is systematic risk and unsystematic risk ?

(c) What is efficient market hypothesis ?

(d) What is an option ? Distinguish between a call option and a put option.

(e) What is the meaning of the term yield to maturity for bonds ?

(f) What are the assumptions of perpetual growth models ?

(e) A Rs. 100 perpetual bond is currently selling for Rs. 95. The coupon rate of interest is 13.5% and the appropriate discount rate is 15%. Calculate the value of the bond. Should it be purchased ? What is its yield to maturity ?

Section-C

Answer *all* question in 300–500 words each. 10×5=50

3. Briefly describe the developments in the stock markets in India.

Or

Write a short note on SEBI and its guidelines.

4. What will be the lower and upper bounds for the price of a call option ? Explain the reasons.

Or

Why is ordinary share an option ? Explain.

5. Explain and illustrate a one step binomial approach to value a European option.

Or

What is beta ? How is it measured ? How do you calculate the expected rate of return of a security ?

6. What is capital asset pricing model (CAPM) ? Explain its assumptions.

Or

Explain the logic of the arbitrage pricing model (APM). How does it compare and contrast with CAPM ?

7. Illustrate with the help of an example the linkage between share price and earnings. What is the importance of the price-earnings (P/E) ratio ? What are its limitations ?

Or

Illustrate the method of valuing (i) bonds in perpetuity and (ii) bonds with a maturity period.

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