

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER- III EXAMINATION – WINTER 2019

Subject Code: 3539223

Date: 05-12-2019

Subject Name: Security Analysis & Portfolio Management

Time: 10:30 AM TO 1.30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 Explain the Following Concept 14

- (a) Support and Resistance
- (b) Bond Immunization
- (c) SML
- (d) MACD
- (e) Asset Management Company
- (f) Margin Trading
- (g) Investment V/S. Speculation

Q.2 (a) "No Investment Decisions are made without calculating risk." Do you agree? 07

As an Investment Manager of a firm, discuss the various investment avenues available for investment with risk involved in each of them.

(b) A stock earns the following returns over a Six year period: 07

Year	2012	2013	2014	2015	2016	2017
Return (%)	30	-20	-12	38	42	36

Calculate the Arithmetic and Geometric Mean Return for the Above data

OR

(b) The returns of two assets under four possible states of nature are given below: 07

State of nature	Probability	Return on Asset X (%)	Return on Asset Y (%)
1	0.3	10	12
2	0.2	18	14
3	0.1	20	16
4	0.4	25	20

Calculate standard deviation and covariance between the returns on assets X and Y.

Q.3 (a) What do you understand by efficient market hypothesis? Briefly explain its different forms of efficiency 07

(b) The risk-free return is 10 percent and the return on market portfolio is 16 percent. Stock - A's beta is 1.2; its dividends and earnings are expected to grow at the constant rate of 12 percent. If the previous dividend per share of stock A was Rs. 2.00, what should be the intrinsic value per share of stock A? 07

OR

Q.3 (a) What is Technical Analysis? Describe the Dow Theory and its three components. 07

(b) A Six year bond having the Face value of Rs.100 and bearing the coupon rate of 12% per annum, currently selling at Rs.110. find out the duration of the bond if it matures after 6 years. (Use approximation method for the Yield to maturity) 07

Q.4 (a) “The Arbitrage Pricing Theory can be used to identify mispriced securities” – Explain the statement in detail. **07**

(b) Zero coupons bonds are excellent vehicles for immunizing a portfolio. Do you agree or disagree? Why? **07**

OR

Q.4 (a) Explain Capital Asset Pricing Model with an example. **07**

(b) Consider the following information for three mutual funds, X, Y, and Z, and the market. **07**

	Mean return (%)	Standard deviation (%)	Beta
<i>X</i>	24	22	1.8
<i>Y</i>	16	14	1.2
<i>Z</i>	12	13	0.8
<i>Market index</i>	10	10	1

The mean risk-free rate was 7 percent. Calculate the Treynor measure, Sharpe measure, Jensen measure

Q.5 **Read the Following Information and Answer the Questions:**

The Stock of ABC Company performs well relative to other stocks during recessionary periods. The stock of XYZ Company on the other hand, does well during the growth periods. Both the stocks are currently selling for Rs.100 per share. The rupee return (dividend and price change) of these stocks for the next year would be as follows :

Particulars	Economic Situation			
	High Growth	Low Growth	Stagnation	Recession
Probability	0.3	0.4	0.2	0.1
Return on ABC Company Stock (Rs.)	100	120	130	150
Return on XYZ Company Stock (Rs.)	140	130	90	70

(a) Rs. 1000 invested in Stock of ABC Company **07**

(b) Rs. 500 invested in Stock of ABC Company and Rs.500 invested in Stock of XYZ Company **07**

OR

(a) Rs. 1000 invested in Stock of XYZ Company **07**

(b) Rs. 700 invested in Stock of ABC Company and Rs.300 invested in Stock of XYZ Company **07**
