

R17
Code No: 743AF
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA III Semester Examinations, April/May-2019
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
Time: 3hours
Max.Marks:75
Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A
5 × 5 Marks = 25

- 1.a) Distinguish between Investment and speculation. [5]
- b) Explain the features of indifference curves. [5]
- c) Explain Holding period return and Yield to call. [5]
- d) Compare and contrast weak form and strong form of market efficiency. [5]
- e) Explain Protective Put and Covered Call. [5]

PART - B
5 × 10 Marks = 50

- 2.a) Compare and contrast Capital Market and Money Market.
- b) Discuss about securities trading and settlement. [5+5]

OR

- 3.a) What is Margin trading?
- b) Explain the various money market instruments. [5+5]

4. The estimates of the standard deviations and correlation co-efficient for three stocks are given below.

Stock	Standard Deviation	Correlation with Stock		
		A	B	C
A	32	1.00	-0.80	0.40
B	26	-0.80	1.00	0.65
C	18	0.40	0.65	1.00

If a portfolio is constructed with 15% of stock A, 50% of stock B and 35% of stock C, what is the portfolios standard deviation? [10]

OR

- 5.a) Explain single Index model.
- b) What is efficient frontier? Explain risk free lending and borrowing. [5+5]

- 6.a) Explain the various types of Bonds.
- b) A Reliance industries debenture with a face value of Rs 100 has a coupon rate of 10% per annum coupon payment being made annually. The maturity date of the instrument is 7th May 2018. The traded price of the bond on 7th May 2016 is Rs.110. Compute the yield to maturity of the bond. [5+5]

OR

- 7.a) A Rs 100 par value bond bears a coupon rate of 14 percent and matures after five years. Interest is payable semi-annually. Compute the value of the bond if the required rate of return is 16%.
- b) What is bond volatility and bond convexity? [5+5]

8. A company paid dividends amounting to 0.75 per share during the last year. The company is expected to pay Rs 2. per share during the next year. Investors forecast a dividend of Rs. 3 per share in the year after that. Thereafter, it is expected that dividends will grow at 10 percent per year into an indefinite future. Would you buy/sell the share if the current price of the share is Rs.54? Investor's required rate of return is 15 percent. [10]

OR

- 9.a) Describe the key economic variables that an investor must monitor as part of his Fundamental Analysis.
- b) Explain about chart patterns and Relative strength Index (RSI). [5+5]
- 10.a) The share of Omega Company which is not expected to pay dividend in the near future is currently selling for Rs 150. The risk-free interest rate is 0.8% per a month. A 3-month futures contract is selling for Rs.152. Develop an arbitrage strategy and show what your profit will be 6.3 months hence.
- b) Distinguish between futures and forwards. [5+5]

OR

- 11.a) Given the following information:

	Portfolio A	Portfolio B
Beta	0.9	1.8
Return (%)	12.5	19
S.D (%)	20	26.5

Risk Free rate of return = 6% ; Market Return = 12% .

Calculate (i) Sharpe Ratio (ii) Treynor Ratio.

- b) Explain the types of mutual funds in India. [5+5]

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