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Code No: 723AH

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA III Semester Examination, January-2018
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) Explain the common errors in investment management. [5]
b) What are the forms in which G-Secs are offered? [5]
c) Write a note candle stick charts and put/call ratio. [5]
d) Explain (i) Expectations Theory (ii) Liquidity Preference Theory (iii) Preferred Habitat Theory in bond prices. [5]
e) Explain the significance of price to book value ratio. [5]

PART - B **5 ×10 Marks = 50**

2. Discuss wide array of investment avenues with examples. Explain the attributes that one should consider while evaluating an investment. [10]

OR

3. What are the principles tasks of SEBI? Discuss the key initiatives taken by SEBI? [10]

4. Describe the two commonly ways of decomposing ROE into its underlying determinants. Explain the non-financial company factors that you will consider in fundamental analysis. [10]

OR

5. A firm, Unknown Ltd, is manufacturing wide range of chemicals, and intending to come out with an IPO for 1 crore shares. It is projecting an earning of Rs 3 per share with the revenue of Rs 65 crore. You have been able to identify 4 firms in the same line and of approximately the same size. Following information is available in respect of these firms. [10]

Projected Rs Per Share				
	EPS	BOOK VALUE	REVENUE	CURRENT PRICE
Firm 1	7.00	30	100	200
Firm 2	6.00	60	125	240
Firm 3	5.50	100	110	280
Firm 4	8.00	80	130	316

At what price can the firm issue its shares? Assume that market gives thrice as much importance to earning per share than either to book value or revenue.

6. An insurance company has an obligation to pay Rs.2,15,900 after 10 years. The market interest rate is 8 %, So the present value of the obligation is Rs.1,00,000. The insurance company's manager wants to fund the obligation with a mix of six years zero coupon bonds and perceptualities paying annual coupons. In what proportions should he buy these debt instruments? [10]

OR

7. Discuss various types of corporate bonds. How would you calculate forward interest rates. [10]

8. The following are the closing prices collected from the securities market. You are required to Calculate Abnormal Returns. [10]

S.No	Date	Torrento Pharma	Elder Pharma	BSE-Sensex
1	10-Dec-17	475.7	274.35	21326.42
2	9-Dec-17	464.75	281.3	21255.26
3	6-Dec-17	470.5	281.2	20,898.01
4	5-Dec-17	479.5	272.7	20,854.92
5	4-Dec-17	499.7	298.3	20,708.71
6	3-Dec-17	498.8	324.85	20,957.81
7	2-Dec-17	490	318.2	20,996.53
8	29-Nov-17	487.8	285.7	20791.93
9	28-Nov-17	491.4	289.3	20534.91
10	27-Nov-17	481.3	291.55	20420.26

OR

9. Given below is the extract of financial information Bygone Ltd.,

	Rs. In crore
Sales	300.00
Cost of Goods Sold	82.50
Gross Profit	217.50
Administrative, Selling and Distribution Expenses	150.00
PBIT	67.50
Interest	9.00
PBT	58.50
Taxes (@ 38.5%)	22.52
PAT	35.98

The total assets of the firm are Rs.150 crore. The shareholders equity has been to finance 80% of the total assets of the firm. Assuming that the cost of equity for Bygone Ltd., is 16.3% and the cost of debt, which constitutes 20% of the assets financing, is 12% before tax compute the Economic Value Added (EVA) for the firm. [10]

10 What is meant by Capital Asset Pricing Model (CAPM)? Discuss the assumptions and applications of CAPM with examples. [10]

OR

11. Explain the various portfolio performance evaluation models with formulas. [10]

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