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Code No: 723AH JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD MBA III Semester Examination, June/July-2018 SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

- **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.
- Distinguish between Investment and Speculation. 1.a) [5] Explain the concept 'Intrinsic Value' and state how is it different from book value.[5] b) Write a note on bond convexity. [5] c) Explain the significance of Price to Book Value Ratio. [5]

PART - A

d) What is meant by Portfolio Revision? e)

Price in Base Year

(**Rs**.)

15

14

24

42

35

16

48

5×10 Marks = 50 PART - B

2. Discuss the various sources of investment information available to an investor, while investing his surplus fund. [10] OR

Price in Year 't'

(**Rs.**)

65

76

43

98

21

64

96

3. Consider the data for a sample of 7 shares for two years, the base year and year 't'.

What is the Price Weighted Index, Equal Weighted Index and Value Weighted Index	Х
for year 't'? If the value weighted index for year 't' is given to be 250, what is the pric	e
of all the shares in year 't'? [10]	

4. Describe the procedure for buying and selling of shares and brief on margin trading and short selling concepts. [10]

OR

5. Describe the industry life cycle. What are its implications for the investor? [10]

Max.Marks:75

 5×5 Marks = 25

R15



Time: 3 hours

SHARE

ABC

DEF

MNO

ORS

GHI

UVZ

JML

No. of

Outstanding

Shares (in million)

76

57

87

120

200

135

127

[5]



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6. What is a yield curve? 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 percent. [10]

OR

- 7. How is the volatility of a bond related to its duration? The following information is available on a bond:
 Face Value : Rs.100
 Coupon Rate is 12 percent payable annually
 Years to maturity is 6
 Current Market Price is Rs.110
 What is the duration of the bond? Calculate the Yield to Maturity also. [10]
- Explain the two stage growth model. Determine the intrinsic value of an equity share, given the following data: Last Dividend (D0) Rs.2.00, Growth Rate for Next Five years 15 percent, Growth rate beyond 5 years 10 percent, and required rate return is 16%.

OR

- 9. What are the key determinants of the price -earnings multiples? The price of a share is currently Rs.30. The expected EPS for the next year is Rs.2.50. Investors require a rate of return of 16 percent from this share. What proportion of the price is accounted for by the present value of growth opportunities (PVGO)? [10]
- 10. A fund begins with Rs.100 million and reports the following results for three periods: [10]

Period				
	1	2	3	
Rate of Return	7%	16%	10%	
Net Inflow (end of period)	10	2	0	
Rs. In million				

Compute the arithmetic, time-weighted and rupee-weighted average returns.

OR

11. What is meant by Portfolio Diversification? Discuss the various types of portfolio diversification with examples. [10]

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