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Code No: 723AH

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA III Semester Examination, June/July-2018
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
Time: 3 hours
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 concept 'Intrinsic Value' and state how is it different from book value. [5]
- c) Write a note on bond convexity. [5]
- d) Explain the significance of Price to Book Value Ratio. [5]
- e) What is meant by Portfolio Revision? [5]

PART - B
5 × 10 Marks = 50

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

OR

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

SHARE	Price in Base Year (Rs.)	Price in Year 't' (Rs.)	No. of Outstanding Shares (in million)
ABC	15	65	76
DEF	14	76	57
MNO	24	43	87
QRS	42	98	120
GHI	35	21	200
UVZ	16	64	135
JML	48	96	127

What is the Price Weighted Index, Equal Weighted Index and Value Weighted Index for year 't'? If the value weighted index for year 't' is given to be 250, what is the price 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]

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]

8. 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 % . [10]

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) Rs. In million	10	2	0

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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