Code No: 723AH

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JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA III Semester Examinations, December - 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)	Differentiate among investment, speculation and gambling.	[5]
b)	Describe stages of company life cycle.	[5]
c)	Discuss advantages of investment in bond market.	[5]
d)	What is dividend discount model?	[5]
e)	Differentiate between constant ratio plan and variable ratio plan.	[5]

PART - B   5 × 10 Marks = 50

2.   What do you mean by investment? Discuss in detail objectives of investment, what are various alternatives investment available in India in the era of globalization.   [10]

OR

3.a)   Discuss in detail the various methods of trading financial instrument in secondary market.
   b)   Define margin trading and discuss its pros and cons.   [5+5]

4.   What is technical analysis? Discuss following technical analysis tools in details
      a) Stochastic oscillator
      b) moving average
      c) relative strength index   [10]

OR

5.a)   Define Efficient Market Hypothesis (EMH)
   b)   What is efficient frontier?
   c)   What are the assumptions of Dow Theory?   [10]

6.a)   The price of a bond is $920 with a face value of $1000 which is the face value of many bonds. Assume that the annual coupons are $100, which is a 10% coupon rate, and that there are 10 years remaining until maturity. Calculate YTM.
   b)   What is inflation rate risk and interest risk associated with bonds price?   [5+5]

OR

7.   Write short notes on:
      a) Asset-Backed Securities bonds and Corporate Bonds
      b) How Bond laddering and diversifications reduces the risk associated with bonds? [10]

8.a) If a stock pays a Rs. 4 dividend this year, and the dividend has been growing 6% annually, then what will be the intrinsic value of the stock, assuming a required rate of return of 12%?

  b) What are the draw backs using dividend discount model?

  c) What is Gordons Model for growth firm?   [10]

OR

9.a) How do we calculate price earning ratio and book value ratio? Mention formula also.

  b) What is Discounted Cash Flow Valuation Method?   [5+5]

10.a) What is the portfolio standard deviation for a two-asset portfolio comprised of the following two assets if the correlation of their returns is 0.5?

	Asset A	Asset B
Expected return	10%	20%
Standard deviation of expected returns	5%	20%
Amount invested	Rs.40,000	Rs.60,000

  b) What is the portfolio return and standard deviation for a two-asset portfolio comprised of the following two assets if the correlation of their returns is 0.5?

	Asset P	Asset Q
Expected return	7%	25%
Standard deviation of expected returns	5%	30%
Amount invested	Rs.50,000	Rs 50,000
Correlation	0.40	[5+5]

OR

11.a) What are the assumptions of Capital Assets Pricing Model (CAPM)?

  b) Following are the information about a stock:

The current yield on a 10-year treasury is 2.5%

The average excess historical annual return for stocks is 7.5%

The beta of the stock is 1.25 (meaning its average weekly return is 1.25x as volatile as the BSE500 over the last 2 years)

What is the expected return of the security using the CAPM formula?   [4+6]

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