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MS-44

MANAGEMENT PROGRAMME (MP)

Term-End Examination

December, 2023

**MS-44 : SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT**

Time : 3 Hours

Maximum Marks : 100

Note : (i) Attempt any **five** questions.

(ii) All questions carry equal marks.

1. "Investment process involves a series of activities starting from the policy formulation." Discuss the steps involved in the investment process followed by an institutional investor.
2. (a) Who are the players in the primary capital market ? Explain the recent trends in the development of the primary capital market in India.

(b) X Co. has made plans for the next years. It is estimated that the company will employ total assets of ₹ 8,00,000; 50% of the assets being financed by borrowed capital at an

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interest cost of 8% per year. The direct costs for the year are estimated at ₹ 4,80,000 and all other operating expenses are estimated at ₹ 80,000. The goods will be sold to customers at 150% of the direct costs. The tax rate is assumed to be 50%.

You are required to calculate (i) Net profit margin, (ii) Return on assets, (iii) Assets turnover, and (iv) Return on owner's equity.

3. A 5% coupon bond with face value of ₹ 1,000 and 5 years to maturity is currently selling for ₹ 816. If the market interest rate is 7%, what is the intrinsic value of the bond, assuming interest is paid semi-annually ?

Present value of ₹ 1 for 5 years at 7%	0.713
Present value of an annuity of ₹ 1 for 5 years at 7%	4.100

4. "Economy Industry Company (EIC) framework provides a useful approach to equity investment decision." Explain.

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5. “Moving averages are used to identify current trends, trend reversals as well as to set up support and resistance levels.” Comment on the usefulness of Moving Averages. Also discuss the usefulness of Moving Average Convergence Divergence (MACD) indicator.
6. Rank the following portfolios based on Sharpe’s ratio and Treynor’s ratio :

Portfolio	Return	σ	Risk-free Rate	Beta
A	6.00	15.24	3.00	1.00
B	3.30	4.92	3.00	2.85

7. Discuss the need for portfolio revision. Examine the various portfolio revision strategies.
8. Write short notes on the following :
 - (a) Zero-Interest Bonds
 - (b) Dow Theory
 - (c) Security Market Line
 - (d) Treynor Ratio