# MANAGEMENT PROGRAMME

01485

## Term-End Examination

## June, 2018

## MS-044 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

*Time : 3 hours* *Maximum Marks : 100*

*(Weightage 70%)*

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

*(ii) **All** questions carry equal marks.*

*(iii) Use of calculators is allowed.*

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1. What do you understand by investment ? Discuss the different alternatives available to investors for making an investment ?

2. Discuss the trading system in stock exchanges. Mention some of the recent reforms in the trading system.

3. (a) What are basic valuation models of bonds ? How to calculate the yield on bonds ?

   (b) Amrutha Ltd, recently paid Rs 4.00 per share as dividend for the last year. Its dividend is expected to grow by 15 per cent every year for the next three years, thereafter it will continue a normal growth rate of 6 percent per annum. If the required rate of return is 16 percent, what is the intrinsic value of the equity share of Amrutha Ltd ?

4. Explain Dow Theory. Analyse the various charts and trends used by technical analysts to exercise the option of buying/selling securities in the stock market.

5. (a) What is "Random Walk Hypothesis"? Explain the basic assumption underlying technical analysis and how they differ with the weak form of Efficient Market Theory.

   (b) Security A offers an expected return of 14 percent with a standard deviation of 8 percent. Security B offers an expected return of 11 percent with a standard deviation of 6 percent. If you wish to construct a portfolio with a 12.8 percent expected return, what percentage of the portfolio will consist of security A ?

6. Distinguish among the performance measures, viz., Sharpe ratio, Treynor measure and Jenson alpha. Describe how each of these three performance measures is calculated. Explain how each of the measures relates excess return and relevant risks.

7. Many people advocate mutual funds for small investors. They suggest that the best strategy for small investors is to invest in good mutual fund and put them away. What do you think is preferable ? Why ?

8. Write short notes on :

   (a) Investment Vs. Speculation

   (b) Sharpe's Performance Measure

   (c) EIC Framework

   (d) Earnings Multiplier