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MANAGEMENT PROGRAMME (MP)

Term-End Examination

June, 2024

MS–44 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours *Maximum Marks : 100*

Weightage : 70%

***Note :** Attempt any **five** questions. All questions carry equal marks.*

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1. What do you understand by investment ? Explain the various investment avenues available to investors.

2. How is the intrinsic value of a stock estimated using two-stage and three-stage growth models ?

3. Sriram is considering the purchase of a Bond at present for ₹ 878.50. The Bond has four years to maturity with a face value of ₹ 1,000 and an 8% coupon rate. The next annual rate payment is due after one year. The required rate of return is 10%. You are required to :

(i) Calculate the intrinsic value of the Bond. Should Sriram buy the Bond ?

(ii) Calculate the yield to maturity of the Bond.

Present Value of ₹ 1 for 4 years		Present Value of an annuity of 4 years
10%	.683	3.170
11%	.659	3.102
12%	.636	3.037
13%	.613	2.974

4. Compare and contrast efficient market hypotheses with fundamental and technical analyses.

5. Discuss the concept of price indicators. Elaborate on the various charting techniques to identify the price of stocks.

6. You are evaluating an investment in two companies—FST and SND, whose returns of past ten years are shown below :

% returns during years										
Companies	1	2	3	4	5	6	7	8	9	10
FST	37	24	–7	6	18	32	– 5	21	18	6
SND	32	29	–12	1	15	30	0	18	27	10

(a) Calculate the standard deviation and coefficient of correlation of each company's returns.

(b) If you had placed 50% of your money in each of the two stocks what would have been the standard deviation of your portfolio and the average yearly return ?

(c) What percentage investment in each would have resulted in the lowest risk ?

(d) Assume that a yearly risk-free return of 8% was available and that you had held only one of the two companies, which stock would have been the better to own ?

7. When will the investor make the transfer call to keep the dollar value of the aggressive portfolio constant ? Will it be made with every change in the prices of the stocks comprising the aggressive portfolio ?

8. Write short notes on the following :

(a) Agency Cost

(b) Efficient Market Hypothesis

(c) Efficient Frontier

(d) Aggressive Portfolio