

MANAGEMENT PROGRAMME

Term-End Examination

June, 2010

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

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note :

- (i) Attempt *any five* questions.
- (ii) All questions carry *equal* marks.
- (iii) Present value and annuity tables are to be provided, if asked for.
- (iv) Use of calculator is allowed.

1. What do you understand by 'Investment' ? Explain the steps involved in the investment process.
2. (a) Define risk. What are the statistical tools that are used to measure risk of securities return ?
(b) Mr. Vamsi is considering the purchase of a bond currently selling at Rs. 878.50. The bond has four years to maturity, face value of Rs. 1,000 and 8% coupon rate. The next annual interest payment is due after one year from today. The required rate of return is 10%.

- (i) Calculate the intrinsic value (present value) of the bond. Should Vamsi buy the bond ?
 - (ii) Calculate the yield to maturity of the bond.
- 3. Discuss the various measures that have been adopted in India to protect investors' interest in securities market.
- 4. What is market efficiency ? Explain the various anomalies in efficient market hypothesis.
- 5. (a) In the context of Risk Adjusted returns, briefly explain :
 - (i) Treynor's Ratio
 - (ii) Sharpe's Ratio
- (b) Puja and Devika are the two mutual funds Puja has a mean success of 0.15 and Devika has 0.22. The Devika has double the beta of Puja fund's 1.5. The standard deviations of Puja and Devika funds are 15% and 21.43%. The mean return of market index is 12% and its standard deviation is 7. The risk free rate is 8%.
 - (i) Compute the Jensen Index for each fund.
 - (ii) Compute the Treynor and Sharpe indices for the funds. Interpret the results.
- 6. What is portfolio revision ? Why does it arise ? Discuss the various constraints in portfolio revision.

7. Distinguish between *any four* of the following :
- (a) Growth Fund and Balanced Fund
 - (b) Ex-dividend and Cum-dividend
 - (c) Commercial Paper and Commercial Bill of Exchange
 - (d) Self-regulation and Legislative regulation
 - (e) Buy-back of Shares and Surrender of Shares
 - (f) Money Market and Capital Market
8. Write short notes on *any four* of the following :
- (a) Investment Vs. Speculation
 - (b) Bullish market
 - (c) Capital market line
 - (d) Technical analysis
 - (e) Efficient portfolio
 - (f) Price-earnings approach
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