Reg. No. | | | | | | | | |

MBAS 505

Third Semester M.B.A. Examination, December 2017
BUSINESS ADMINISTRATION
(Choice Based Credit System)
Security Analysis and Portfolio Management

Time : 3 Hours Max. Marks : 70

SECTION – A (2×10=20)

Note : Answer **any two** questions. **Each** question carries **10** marks. Answer to **each** question should **not** exceed **5** pages.

1. Discuss the features of different money market instruments.
2. Discuss the company analysis as a fundamental approach.
3. Discuss the trading and settlement methods of stock exchanges in India.

SECTION – B (3×12=36)

Note : Answer **any three** questions. **Each** question carries **12** marks. Answer to **each** question should **not** exceed **6** pages.

4. Stocks A Limited and M Limited display the following returns over the past two years.

Economic Condition	Probability	Stock "A Ltd." Return (%)	Stock "M Ltd." Return (%)
Good	0.5	14	26
Bad	0.5	22	10

P.T.O.

a) Determine the expected return and risk on the following combinations of these two stocks :

Portfolios	% STOCK Akash Ltd.	% STOCK Moon Ltd.
1	0	100
2	20	80
3	30	70
4	1/3	2/3
5	50	50
6	2/3	1/3
7	80	20
8	100	0

b) Comment on the returns and risk for the above combinations.

c) Is there any combination of the securities for which the risk can be completely eliminated ?

d) Suppose the correlation co-efficient is +1, would the above returns and risk change for the portfolios 1 to 8 above ?

5. Gordon Funds Inc manages several mutual fund schemes, The following four funds exhibit the characteristics given below :

Funds	Average Annual Return	Standard Deviation	Correlation Co-efficient with the market
Equity Fund	30	40	0.8
Growth Fund	22	25	0.75
Balanced Fund	18	15	0.7
Debt Fund	10	10	0.4
Market	20	15	1
T-Bill	5		

a) Evaluate the performance of the above portfolios using Sharpe's Treynor's and Jensen's Indices.

b) Which of the portfolios has performed well ?

c) If an investor approaches you to know the ability of the fund manager to select the under-valued stocks, which one would you suggest and why ?

6. The following assets are assumed to be correctly priced on the Security Market Line (SML). What is the return of market portfolio ? What is the risk-free rate of return ? What do market return and risk-free rate of return indicate ?

$R_1 = 44\%$ $\beta_1 = 1.7$; $R_2 = 50\%$ $\beta_2 = 2$

7. What are the various tests available for testing the weak form of market efficiency ?

8. Discuss the technical analysis as a tool for security analysis.

SECTION – C **(1×14=14)**

(Compulsory)

Note : Answer to this question should **not** exceed **6** pages.

9. The following information is available to you.

(1) Security No., i	**(2) Expected Return, R_i**	**(3) Risk**	
Real Estate	21	14.0	
Fixed Income	10	8.5	
Equities	25	16.50	
T-Bills	6		
Portfolios (A, B, C) formed form the above Securities			
Securities	A	B	C
Real Estate	25%		
Fixed Income	25%	33.3%	50%
Equities	25%	33.3%	

T-Bills	25%	33.4%	50%	
Correlations of the Returns of the Securities				
Securities	Real Estate	Fixed Income	Equities	T-Bills
Real Estate	1			
Fixed Income	0.30	1		
Equities	0.50	0.45	1	
T-Bills	0.00	0.00	0.00	1

What is the optimum portfolio for an investor with (a) 40 percent risk tolerance (b) 50 percent risk tolerance (c) 85 percent risk tolerance ? As an investment adviser what is your advice to the investors ?
