Roll No........................

Jamia Hamdard
School of Management and Business Studies
Department of Management
Odd Semester Examination - January 2023 – February 2023
MBA-III Semester
MBA-GE-FM-02
Security Analysis & Portfolio Management

Duration: 3 Hours **Max Marks: 75**

*Note: Attempt any Five Questions, all questions carry equal marks. [15*5=75]*

Q1: Briefly explain the following financial terms and concepts in connection to the stock market:

a. Bid Ask Spread [5 marks]
b. Index Investing [5 marks]
c. Volatility [5 marks]

Q2: What is the price yield relationship for a plain vanilla coupon-paying bond? What is the concept of duration and convexity concerning a plain vanilla coupon paying bond? How are these concepts useful in bond analysis? Elaborate briefly. [5+5+5 = 15 marks]

Q3: Briefly demonstrate the usefulness of Oscillators, trend, and mean reversion in technical analysis of stock prices. [5+5+5 = 15 marks]

Q4: Consider the following 3 stock portfolio and calculate the portfolio risk and expected portfolio return. Also, discuss the role of return correlation in portfolio diversification [5+5+5 =15 marks]

Table 1: Portfolio Weights & Standard Deviations

Stock	Portfolio Weights	Standard Deviation
A	0.20	6%
B	0.50	8%
C	0.30	10%

Table 2: Return Expectations for the stocks

Stock	Probability	Return
A	0.20	6%
	0.60	10%
	0.20	13%
B	0.20	-8%
	0.60	5%
	0.20	15%
C	0.20	4%
	0.60	8%

	0.20	12%

Return Correlation Matrix

	A	B	C
A	1.00	-0.18	0.30
B		1.00	0.05
C			1.00

Q5: Briefly explain the contribution of Harry Markowitz to Portfolio Management. [15 marks]

Q6: Briefly demonstrate the usefulness of the Moving Averages, Trend Lines & Triple Top Chart Pattern in technical analysis of stock prices. [5+5+5=15 marks]

Q7: Answer the following questions about equity valuation.

a. What should be the price of a company's stock that is expected to pay Rs. 5 per share as the dividend per year forever, if the cost of equity is 10%? [5 marks]

b. What should be the price of a company's stock that is expected to pay a dividend of Rs. 5 per share from next year and onwards, if the cost of equity is 10% and the dividends are expected to grow at the rate of 5% per annum? [5 marks]

c. What is the CAPM? How is it used in the calculation of the Cost of Equity? [5 marks]

Q8: Answer the following questions briefly:

a. How would you calculate the cost of debt of a company whose debt is (i) Rated, (ii) Not Rated? [2+3=5 marks]
b. How would you calculate a company's Free Cash Flow to Equity? Can it be negative? [4+1 = 5 marks]
c. How would you calculate the beta of an IPO stock? [5 marks]