A

DEPARTMENT OF MANAGEMENT
SCHOOL OF MANAGEMENT & BUSINESS STUDIES
JAMIA HAMDARD, NEW DELHI – 62
MBA(GENERAL) III SEMSTER EXAMINATION
PAPER NAME: Security Analysis & Portfolio Management;
PAPER CODE: MBA-GE-FM –02

TIME 3Hrs Max Marks: 75

***Attempt any five (5) questions, all questions carry equal marks**

****Scientific calculators allowed**

Q1(a) What is a bond? What are the different types of risks an investor is exposed to while investing in bonds? [10]

Q1(b) Calculate the price of a semi annual coupon paying bond redeemable at par with a coupon of 7.5% p.a., par value of Rs 1000, term to maturity of 5 years and the required yield of 8.5%.[5]

Q2. Calculate the YTM & duration of a bond with the following characteristics; purchase price Rs980, par value Rs 1000, Coupon 8% paid semi annually, Term to maturity 5 years. [7+8=15]

Q3(a) What is equity valuation? Explain [5]

Q3(b) Highlight the difference between "price" and "value" of a stock.[5]

Q3(c) "Bigger valuation models are better". Comment [5]

Q4. Value the stock of XYZ Ltd based on the following information. The company paid a dividend of Rs 10 per share on the earnings of Rs75 per share last year. Currently the company is going through a high growth phase which is going to last for the next five years, after that the growth is expected to slow down to 6.5% but there will be a transition period of 3 years for this to happen. The phase wise characteristics for equity valuation are given below.

High growth phase	Transition Period	Stable growth period
Duration = 5 years	duration – 3 years	duration = infinity
Growth rate = 10%p.a.		Growth rate = 6.5%
β=1.65		β=1.00

The INR Risk free rate is 7.79% at present and is expected to stay stable for the foreseeable future. The equity risk premium is 5% at present and will stay stable for the foreseeable future.[15]

Q5(a) What is technical analysis? What are its main assumptions? [2+3=5]

Q5(b)"MACD can be used as a trading tool in all types of markets" Explain [10]

Q6(a) What is "trend"? How can one identify a trend in the price of a particular stock?[5]

Q6(b) What is a "breakout" & How can one do "breakout trading". Explain [5]

Q6(c) What is "averaging"? Is it always good to "average"? What are its pros & cons? [5]

Q7(a) What is a portfolio? What are the steps involved in portfolio management process? [5]

Q7(b) "Diversification reduces all types of risks". Explain [10]

Q8.(a) Calculate the expected return & risk of a portfolio with the stocks A, B & C. [5+5]

$r_A = 12\%$, $r_B = 15\%$, $r_C = 20\%$, $w_A = 25\%$, $w_B = 35\%$, $w_C = 40\%$, $\sigma_A = 3.5\%$, $\sigma_B = 5.5\%$, $\sigma_C = 6.5\%$, $\rho_{AB} = 0.85$, $\rho_{AC} = 0.55$ & $\rho_{BC} = -0.25$

Q8(b) Explain the concept of Fama's Net selectivity. [5]