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

Department of Management

School of Management & Business Studies

JAMIA HAMDARD

Examination:- MBA (General) - 2nd year- Semester III; Nov-Dec 2017

Security Analysis and Portfolio Management (Paper no. MBA-GE-FM 02)

Time - 3 Hours | Max. Marks - 75

Instructions:

Write your Roll no. on the top right corner immediately on the receipt of this paper.
Attempt any 5 questions.
Each question carries equal (15) marks.
Use of simple calculator is allowed.

Question 1 - Find the value , duration & convexity of the semi annual coupon paying bond with the following features: face value of the bond Rs 1000, Maturity of the bond 3 years, YTM of the bond 10%, coupon on the bond 8% p.a., redemption value Rs1000. (15 Marks)

Question 2 - Calculate the YTM of the bond with the following features: Purchase Price of Bond Rs 1050, Face Value of the bond Rs 1000, Coupon on the bond 8%, term to maturity of the bond 5 years, frequency of coupon payment: annual. (15 Marks)

Question 3 - What is Fundamental Analysis? How is it different from Technical Analysis? (15 marks)

Question 4 - Explain the main tenets of Dow Theory. (15 Marks)

Question 5 - Explain the following terms as used in Technical Analysis: (15 Marks)

(a) Uptrend (5 Marks)
(b) Moving Average Convergence Divergence (5 Marks)
(c) Head & Shoulder Pattern (5 Marks)

Question 6 - A wants to value Matrix Ltd in Indian Rupees using the Dividend Discount Model. Matrix Ltd is a cement company and is based in India. The company paid a dividend of Rs 10 per share for the year ended March 2017. The dividends are expected to grow @ 8% p.a. for the next three years and the growth rate is expected to stabilize @ 5% p.a. thereafter.
The YTM of 10 year zero coupon Indian govt. bond is 9% p.a. and the default spread for the same bond is 2.5%. The bottoms up beta for Matrix Ltd. is 1.5. The historical equity risk premium for US market is 5.51%. The percentage of revenue earned by Matrix Ltd in India is 80% and the percentage of revenue earned in India by the average firm is 90%. The annual standard deviation on US stocks is 20% and that of Indian stocks is 35%. Find the Intrinsic value per share for Matrix Ltd using the DDM. (15 marks)

Question 7 - Explain the Modern Portfolio Theory. (15 marks)

Question 8 - A portfolio consists of three securities 1, 2&3. The proportion of these securities are: $W_1 = 0.5$, $W_2 = 0.3$ & $W_3=0.2$. The standard deviations of returns on these securities are $SD_1=10$, $SD_2 = 15$ and $SD_3 = 20$. The correlation coefficients among security returns are : $C_{12} = 0.3$, $C_{13} = 0.5$ and $C_{23} = 0.6$. What is the standard deviation of portfolio returns? (15 Marks)

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