SYBIM

Subject : Security Analysis & Portfolio Management-I   SEM-III   AY: 2019-20

[Time: 2 ½ Hours]   17.2.20

[Marks: 75]

Note: 1) All questions are compulsory.
2) Figures at right shows full marks for questions
3) Use of simple calculator is permitted.
4) Working notes should form part of answers.

Q.1(A)   Choose the correct alternatives from the options given below: (Any Eight)   **(08)**

1. Process of combining securities in a portfolio is known as _____.
(simplification, diversification, reduction)
2. _____ investment means increase in building, equipment, inventory of the society. (economic, financial, tax saving)
3. The object of the portfolio is to reduce _____ by diversification. (return, percentage, risk)
4. An aggressive common stock would have a 'Beta' _____. (equal to zero, more than one, less than one)
5. A bond is a _____ instrument. (debt, equity, derivative)
6. The periodic interest payments promised to bond holders are computed as a fixed percentage of the bond's face value; this percentage is known as _____.
(maturity value, coupon rate, face value)
7. A bond's price equals the _____of its expected future cash flows. (present value, annuity, maturity value)
8. In _____ measure the surplus between the two returns is called Alpha, which measures the performance of a fund compared with the actual returns over the period.(Sharpe's, Treynor's, Jenson's)
9. A portfolio comprises several _____ securities. (individual, risk, return)
10. Under _____ strategy, adjustment to the portfolio is carried out according to certain predetermined rules and procedures designated as formula plans.
(active, passive, Sharpe's)

Q.1 (B)   Match the following and re-write. (Any Seven)   **(07)**

Column A	Column B
1. Unsystematic risk	a. Short period
2. Liquidity	b. Yield to Call
3. Investment	c. Fixed return
4. YTC	d. Dividend
5. Speculation	e. Easily converted into cash
6. Optimal portfolio	f. Controllable
7. Equity shares	g. Maximum return, minimum risk
8. Debt	h. Duration same as its maturity
9. Zero coupon bond	i. Portfolio revision
10. Change in investment goal	j. Buying of asset

Q.2(A)   Define Bond. Explain the characteristics of Bond.   (08)

Q.2(B)   Distinguish between Investment and Speculation.   (07)

OR

Q.2(P)   Define Investment. What are the characteristics of Investment?   (08)

Q.2(Q)   Discuss the role of Portfolio Managers.   (07)

Q.3(A)   Calculate Beta of the following security.   (08)

Year	Return on Kiwi Ltd. (%)	Return on Market (%)
1	13	15
2	14	16
3	15	17
4	13	14
5	12	12

Q.3(B)   Find out the risk and return for X & Y.   (07)

Situation	Probability	Return on A (%)	Return on B (%)
Recession	0.10	5	0
Stagnation	0.30	10	8
Normal	0.50	15	18
Boom	0.10	20	26

OR

Q.3(P)   Calculate portfolio risk and return.   (08)

Securities	Return	Standard Deviation	Proportion
Orange Ltd.	30	0.15	50
Apple Ltd.	18	0.14	60

Co-efficient of correlation = - 0.5

Q.3(Q)   Explain the concept of Portfolio Evaluation.   (07)

Q.4.   The details of three portfolios are given below. Compare these portfolios on performance using the Sharpe's, Treynor's and Jenson's measures. Comment and rank them according to the performance.   (15)

Portfolio	Average return (%)	Standard Deviation	Beta
Dev Ltd	35	20	1.25
Star Ltd.	30	18	1.10
Moon Ltd.	32	19	1.15
Market Index	25	15	1.00

The risk free rate of return is 8%.

OR

Q.4.   Calculate the Duration & Modified Duration of a 3 Year Rs.1,000 bond with a Coupon rate of 10% and with YTM 11%   **(15)**

Q.5(A) A bond of Rs. 1000 face value carries a coupon rate of 7% and is redeemable after 3 years at a premium of 5%. If the required rate of return is 15%, what is the present value of the bond? The current market price of the bond is Rs. 450. Advise the investor whether the bond should be purchased or not.   **(08)**

Q.5(B)   A Government of India Bond of Rs. 1000 has a coupon rate of 7% p.a. and the maturity period is 10 years. The bond is currently selling at Rs. 1040. What is the yield to maturity in investment of this bond?   **(07)**

OR

Q.5   Write short notes (Any three)   **(15)**

1) Advantages of portfolio management
2) Risk under Single Index Model
3) Risk under Multi Index Model
4) Decomposition of performance
5) Performance revision

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