

Security Analysis & Portfolio Management I

S.A.P.M.

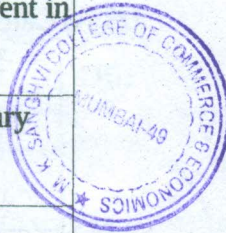
Note: 1) All questions are compulsory, Subject to internal choice. 12.10.22 Marks 75

2) Figures to the right indicate full marks,

Q1 A) Rewrite the statements by choosing the correct option (any 8)

(8)

Q No	Question	Option A	Option B	Option C	Option D
1 involves higher level of risk.	Investment in Shares	Investment in Government	Speculation	Investment in Mutual Funds
2	_____ market deals with outstanding long term financial instruments traded.	Money Market	Call Market	Forex Market	Secondary Market
3	All personal investing is designed to achieve certain	Objectives.	Investments.	Risks.	Returns.
4 beta indicates that security's return moves in the same direction of the market movement.	Positive	Negative	Zero	Higher than 1
5	Arbitrage Pricing Theory is model.	Multi Factor	Single Index	Multi Index	Single Factor
6	HPR stands for	Holding Portfolio Return	Higher Percentage Return	Holding Period Return	Higher Portfolio Return
7	Constant rupee value plan is a strategy used in _____ portfolio management strategy.	Active	Passive	Modern	strategic
8	Systematic Investment Plan is a principle of _____ portfolio strategy.	Active	Passive	Modern	strategic
9	When the required rate of return is less than the coupon rate, the premium on the bond as maturity	Increases	declines	remains same	is volatile
10	The expected rate of return on bond if bought at its current market price and held till maturity is known as _____	Current yield	Yield to call	Yield to put	Yield to maturity



Q1 B) Match the following and rewrite. (any 7)

(7)

Column A

Column B

- 1 Risk return trade-off
- 2 Rational Investors
- 3 Market Risk
- 4 YTM
- 5 Portfolio
- 6 Standard Deviation
- 7 Betting on Horse Races
- 8 Listed Securities
- 9 Arbitraeur
- 10 Capital + Current returns

- a) Combination of different security
- b) Gambling
- c) Invest in the efficient portfolio
- d) Marketable security
- e) Risk and return balancing
- f) Riskless Profits
- g) Square root of variance
- h) Systematic risk
- i) Total gain
- j) Yield to Maturity

- Q2 A) What is an investment? What are the expectations of investors? (7)
 Q2 B) What step should an investor follow for making his investments? (8)

OR

- Q2 P) What is a portfolio? What are the advantages of Portfolio Management? (8)
 Q2 Q) What are portfolio management objectives? (7)

- Q3 A) Calculate Beta of the following security. (7)

Year	Returns on Security %	Returns on Market
1	15	9
2	18	12
3	25	17
4	9	9
5	24	14

- Q3 B) Find out the risk and return for X & Y. (8)

Situation	Probability	Return of X (%)	Return of Y (%)
Recession	0.25	-10	0
Stagnation	0.25	4	8
Normal	0.20	25	12
Boom	0.30	35	14

OR

- Q3 P) Calculate portfolio risk and return. (7)

Securities	Return	Standard deviation	Proportion
A	16	0.56	30
B	8	0.44	70

Co-efficient of Correlation = - 0.7

- Q3 Q) Explain the Markowitz "Modern Portfolio Theory" in detail. (8)

- Q4 A) What is portfolio risk? How is it measured? (8)

- Q4 B) What is beta? What is its importance? (7)

OR

- Q4 P) Details of three portfolios is given below. Compare their performance using the sharpe's, treynor's and Jensen's measures. Comment and rank them according to the performance. (15)

Portfolio	Av. Return	Std Deviation	Beta
1	15	0.60	1.40
2	12	0.40	0.90
3	10	0.25	1.20
Market	12	0.20	1.00

The risk free rate of return is 9%.

Q5 A) A bond of Rs. 1000 face value carries a coupon rate of 12% and is redeemable after 7 years at a premium of 5%. If the required rate of return is 16%, what is the present value of the bond? The current market price of the bond is Rs. 950. Advise the investor whether the bond should be purchased or not. (7)

Q5 B) A bond of Rs. 1,000 has a coupon rate of 8% p.a. and the maturity period is 3 years. The bond is currently sales at Rs. 900. What is the yield to maturity in investment of this bond? (8)

OR

Q5 P) Write Short Notes (Any Three) (15)

- 1 Portfolio Management
- 2 Sharpe Ratio
- 3 Investment Vs Gambling
- 4 Multi Index Model
- 5 Market Risk

