

(4)

7. Assume the constant rupee plan of an investor and revise the following portfolio with a constant level of Rs. 50,000 each in the equity and debt market. 10
Initial portfolio: 1000 equity share at Rs. 50, Debt of Rs. 50,000.
Equity price changes : Rs. 48, Rs. 47, Rs. 52, Rs.51, and Rs.50.

Unit-IV

8. Write a detailed note on traditional portfolio selection method. 10
9. Use the sharpe' Index Model to select the best combination of securities for a portfolio. The risk free rate is 5% and market standard deviation is 20%. 10

Security	S1	S2	S3	S4	S5
Risk (Beta)	1.5	1.2	1.3	1.4	0.85
Return	12%	15%	10%	16%	8%
Error	20%	15%	12%	24%	22%

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Roll No. _____

MS-3096

M.B.A. (Fourth Semester)

Examination, 2015

Security Analysis & Investment Management
(FP-422)

Time Allowed : Three Hours] [Maximum Marks : 70

Note : Answer five questions in all. Question No. 1 is compulsory. Attempt one question from each Unit. Use of financial/ scientific calculator is permitted.

1. Write short notes on each of the following :
10×3=30

- (a) Convertible bonds
- (b) Stock Index
- (c) Insider trading
- (d) Importance of employment data for technical analysis
- (e) Bollinger Band
- (f) Volume of share as an indicator

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(2)

- (g) Systematic Risk
- (h) Portfolio management
- (i) Assets beta
- (j) Characteristic line

Unit-I

2. The following historical rate of return information is provided for Lucky Software Co. and the stock market. 10

Year	Lucky	Market
2007	12	15
2008	9	13
2009	-11	14
2010	8	-9
2011	11	12
2012	4	9

- (a) What are the arithmetic and geometric average rates of return on the market for the period 2007-12?
- (b) What is Lucky's beta?
- (c) What is the equation for Lucky's characteristic line?

(3)

3. What do you understand by Security credit rating? Discuss the various factors to be considered which rating a security. 10

Unit-II

4. Explain Sharpe's portfolio performance measure and Treynor's Portfolio performance measure. What are the differentiating factors between the two? 10
5. (a) Why do bond prices go down when interest rates go up? Explain.
(b) A five year 8 percent callable bond (face value of Rs. 100) gives the investors the right to call the bond from fourth year onward at Rs. 100. The current market price of the bond is Rs. 98.40. Compute the yield to call. (5+5)

Unit - III

6. (a) What is the significance of yield curve?
(b) Explain bond convexity and discuss its importance. (5+5)