

PG Odd Semester (CBCS) Exam., November—2016

BUSINESS ADMINISTRATION

(3rd Semester)

Course No. : MBACC-3102

(Security Analysis and Portfolio Management)

Full Marks : 70

Pass Marks : 28

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

Answer **all** questions

1. (a) Distinguish carefully between investing and speculating. 4
- (b) ABC Ltd. has an excess of ₹ 16,00,000 which it wants to invest in short-term marketable securities. Expenses relating to investment will be ₹ 40,000. The securities invested will have an annual yield of 8%. The company seeks your advise as to the period of investment so as to earn a pre-tax income of 4%. Also find the minimum period for the company to break-even its investment expenditure. Ignore time value of money. 10

2. Write a brief note on different mechanisms of issuing securities in the primary market. 14

OR

3. Elucidate the role and functions of different parties involved in the new issue of securities. 14

4. (a) Write a brief note on various types of systematic risk associated with an investment. 6

- (b) A stock costing ₹ 100 pays no dividends. The possible prices that the stock might sell for at year-end and the probability of each are :

Year-end price (₹)	Probability
90	0.1
95	0.2
100	0.4
110	0.2
115	0.1

- (i) What is the expected return on the stock?
- (ii) What is the standard deviation of the expected return? 8

(3)

OR

5. (a) Differentiate between a bond's coupon rate, current yield and yield to maturity. 4
- (b) A bond is available at a price of ₹ 102. The bond has a coupon of 15% and matures in 20 years. The bond is callable in 5 years at ₹ 111. Interest rates are expected to trend downward over the foreseeable future.
- (i) What is the yield-to-maturity on this bond?
- (ii) What is the yield-to-call on the bond?
- (iii) Which yield calculation should an investor regard as the most important for decision-making purposes? Why? 10
6. Discuss the key macroeconomic variable and their impacts on stock market. 14

OR

7. (a) Describe two commonly used ways of decomposing RE into its underlying determinants. 4
- (b) What non-financial company factors will you consider in fundamental analysis? 10

(4)

8. (a) Deduce the formula for determination of risk and return in case of a three-security portfolio. 7
- (b) Calculate the expected return and risk of a portfolio comprising two securities assuming that the portfolio weights are 0.75 for security 1 and 0.25 for security 2. The expected return for security 1 is 18% and its standard deviation is 12% while the expected return and standard deviation for security 2 are 22% and 20% respectively. The correlation between the two securities is 0.6. 7
