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**MBA**  
**(SEM III) THEORY EXAMINATION 2019-20**  
**SECURITY ANALYSIS & PORTFOLIO MANAGEMENT**

**Time: 3 Hours****Total Marks: 70****Note: 1.** Attempt all Sections. If require any missing data; then choose suitably.**SECTION A****1. Attempt all questions in brief.****2 x 7 = 14**

- a. What according to you could be the reasons why companies issue share in the primary market?
- b. What is default risk and default risk premium?
- c. Write short notes on requirements for listing on a stock exchange.
- d. Define capital market efficiency.
- e. What are the objectives of hedging?
- f. What do you mean by portfolio risk?
- g. What is beta? How is it measured?

**SECTION B****2. Attempt any three of the following:****7 x 3 = 21**

- a. Explain the assumption and principles underlying portfolio theory.
- b. Define the standard deviation of the return on a two-security portfolio. Explain why variance of a well diversified portfolio is largely determined by the covariance term.
- c. Define the Markowitz diversification. Explain the statistical model used by Markowitz to obtain the risk reducing benefits.
- d. What is the meaning of the term yield of maturity for bonds and preference shares?
- e. What do you mean by primary market? Explain the key difference between primary market and secondary market. Briefly discuss the trading and settlement procedure at stock exchange.

**SECTION C****3. Attempt any one part of the following:****7 x 1 = 7**

- (a) What is formulation plan? Give the advantages and disadvantages and also explain its types.
- (b) What is meant by security analysis? What aspects are involved in security analysis?

**4. Attempt any one part of the following:****7 x 1 = 7**

- (a) Explain some of the well known charting method in conducting technical analysis? Are they useful indicator? Discuss.
- (b) An investor has the following information of bond:  
 Face value = ₹ 1000  
 Coupon rate = 10%  
 Time to maturity = 10 Years  
 Market price = ₹ 1,250  
 Callable in 5 years = 1,200
  - 1) Find the yield to maturity, and
  - 2) Yield to call

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5. Attempt any *one* part of the following: 7 x 1 = 7
- (a) What do you understand by term structure of interest rate? How do theories explain the term structure of the interest rate?
  - (b) Explain the logic of the Arbitrage Pricing Theory (APT)? How does it compare and contrast with CAPM?
6. Attempt any *one* part of the following: 7 x 1 = 7
- (a) Differentiate between fundamental analysis and technical analysis.
  - (b) “Stock is considered to be risky but bonds are not”. This is not fully correct. Elucidate.
7. Attempt any *one* part of the following: 7 x 1 = 7
- (a) Define mutual fund. Distinguish between closed ended and open ended mutual fund.
  - (b) Explain the following:
    - i) Gap Wave Theory
    - ii) Relative strength index