MBA-3rd Semester Examination
Jan. 2014
Security Analysis and Portfolio Management
Subject Code: MSL-631

Time Allowed: 03 hours. Maximum Marks: 100

Before answering the question paper the candidate should ensure that they have been supplied the correct question paper. Complaints in this regard, if any, shall not be entertained after the examination.

Note: Question No. 1 is Compulsory and attempt two questions from each section. All questions carry equal marks.

SECTION – A

1(a) What do you understand by yield to call?
(b) What is the difference between risk and uncertainty?
(c) Define industry analysis
(d) Define security market line. (5*4)

2(i) “The investment process involves a series of activities starting from the policy formulation”. Discuss. (10)
(ii) How does systematic risk affect the individual stock return? (10)

3. Joan wants to buy morning star co. shares that have paid a dividend of Rs.1.50 during the last financial year. Joan traditionally requires 18 percent return from his investment. Analyst suggests that earnings and dividends on the stock will grow at a rate of 15 percent for the next five years and there after at a rate of 10 percent. What is the fair price expected by Joan? (20)

4. Efficient market hypothesis can be divided into three categories of weak form, semi-strong form and strong form. Test the efficiency of each of the category by applying various empirical tests. (20)

SECTION – B

5. Define Markowitz diversification. Explain with an example the statistical method used by Markowitz to obtain the risk reducing benefits? (20)

6. (i) Explain the Sharpe index model. How does it differ from the Markowitz model? (10)
(ii) How can an investor earn riskless arbitrage? (10)

7. “Formula plan help the investor to overcome being emotionally attached to the stock”. Explain. (20)