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Printed Pages : 3 **MBA-FM-2**

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7041 Roll No.

M.B.A.

(SEM. III) EXAMINATION, 2008-09

SECURITY ANALYSIS AND INVESTMENT MANAGEMENT

Time : 3 Hours] *[Total Marks : 100*

Note : (1) Attempt **all** questions.

(2) All questions carry **equal** marks.

1 Attempt any **four** parts of the following : 5×4=20

(a) Dividend on equity share during the current year is Rs. 6.50 per share, these have a face value of Rs. 10 each. Dividends are expected to grow at a constant growth rate of 8% infinitely. An investor expects a return of 20% p.a. Suggest him at what price he should buy these shares.

(b) What do you understand by primary market and what are its components ?

(c) What are the requirements for listing on a stock exchange ?

(d) What is Gilt-edged securities market ?

(e) What are the risks faced by a Portfolio Manager ?

(f) What is capital market line ?

2 A has an expected return of 22% and standard deviation of 40%. B has an expected return of 24% and standard deviation of 38%. A has a β of 0.86 and B has a β of 1.24. The correlation coefficient between their returns is 0.72. The standard deviation of the market return is 20%. Suggest : 5×4=20

(a) Is investing in B company better than A ?

(b) If you invest 30% in B and 70% in A, what is your gain ?

(c) What is market portfolio rate of return and risk-free rate ?

(d) What is beta of portfolio if weights of A Ltd. and B Ltd. are 70% and 30% ?

OR

2 What are the basic dimensions of Fundamental analysis ? How fundamental analysis is different from technical analysis ? 20

3 A 9% Rs. 100 face value debenture having a provision for redemption at a premium of 5% at the end of five year, is being issued in the market. An investor has expected rate of return 15%, suggest him at what price he should be ready to buy this. 20

OR

3 What assumptions underlie the Black and Scholes model ? What is the value of a call option as per Black and Scholes model ? 20

4 Develop the capital market line in view of the fact that unlimited borrowing and lending opportunities are available at the risk-free rate of interest. 20

OR

4 (a) What is Arbitrage Pricing Theory ? Explain and elucidate. 10×2=20

(b) Differentiate between β and σ as measure of risk.

5 Analyse the different types of Mutual Funds. What are the performance indicators of managed portfolio. 20

OR

5 Attempt any two parts of the following : 10×2=20

(a) How will you evaluate performance of existing portfolio ?

(b) Explain Sharpe and Treynor measures.

(c) Bring out the significance of the concept of efficient market frontier.
