

M.B.A. (CBCS Pattern) Sem-IV  
**PCB4EB4 - Security Analysis & Portfolio Management**

P. Pages : 2

Time : Three Hours



**GUG/W/22/10724**

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
  2. All questions carry equal marks.
  3. Use PVF Table.

1. Lion Ltd. is currently Paying dividend of ₹ 3.75. Dividend are expected to grow at an annual growth rate of 5% indefinitely. The expected rate of return by investors is 11%. The company is evaluating various business strategies and want to know the effect of these Strategies on the market price of the share. The various strategies to be evaluated are: **14**

- a) Continuing the present strategy, this will leave the growth rate and required rate of return to the current level.
- b) Giving more credit period to debtor, this will increase the sales and in turn will increase the growth rate of 7%, but at the same time it will result in increase in the business risk and accordingly will increase the required rate of return to 14%
- c) Starting factory outlets, this will increase the growth rate to 9% and required rate of return to 15%

Recommend the best strategy from point of view of market price of the share.

2. Jaya Ltd has 14% debenture with a face value of ₹ 100 that matures at par in 15 years. The debenture is callable in five years at ₹ 114. It currently sell for ₹ 105. Calculate each of the following for this debenture. **14**
- i) Current yield
  - ii) Yield to call
  - iii) Yield to Maturity.

3. The estimates of the standard deviation and correlation coefficient for three stocks are given below **14**

Stock	S.D	Correlation with Stock		
		A	B	C
A	32	1	-0.8	0.4
B	26	-0.8	1	0.65
C	18	0.40	0.65	1

If a Portfolio is constructed with 15% of stock A, 50% of stock B and 35% of stock C, what is the portfolios risk?

4. The closing values of NSE Sensex from 5<sup>th</sup> March to 18<sup>th</sup> March, 2020 where as follows 14

Sr. No.	Date	Day	Sensex
1	5	Thu	7290
2	6	Fri	7380
3	7	Sat	No Trading
4	8	Sun	No Trading
5	9	Mon	7399
6	10	Tue	No Trading
7	11	Wed	7379
8	12	Thu	7450
9	13	Fri	7513
10	14	Sat	No Trading
11	15	Sun	No Trading
12	16	Mon	7500
13	17	Tue	7565
14	18	Wed	7524

Compute EMA of the Sensex during the above Period. The 31 days Simple moving average of the Sensex can be assumed as 7400.

Also draw EMA curve.

5. Calculate Treynor, Sharpe's and Jensen Alpha Ratio on the basis of the following portfolio Manager are given below. 14

Portfolio	Average Return %	Variance %	Beta
A	30	169	0.9
B	24	100	0.7
C	18	144	1.4
D	15	81	1.6
E	17	98	1.2
F	23	110	0.8

Risk Free rate of return = 14%

Market rate of return = 16%

Rank these portfolios and select the manager with best performance.

6. Explain the impact of growth on price, returns and P/E ratios. 14
7. How an investor can use yield curve for investment decision? 14
8. What is Random walk Theory? What is its importance in security analysis? 14
9. What step should an investor follow for making his investments? In details 14
10. Write a short note on **any two**. 14
- Interior Decorating Approach to portfolio Management.
  - Industry Analysis
  - Technical Indicators.
  - Asset Allocation.

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