Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–III • EXAMINATION – WINTER • 2014

Subject Code: 2830203 **Date: 11-12-2014**

Subject Name: Security Analysis and Portfolio Management

Time: 10:30 am - 01:30 pm **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1 **(a)** Define investment? Discuss the various marketable and non-marketable investment avenues available to investors. **07**

(b) What do you mean by Efficient Market Hypothesis, Also Explain the forms of Market Efficiency **07**

Q.2 **(a)** Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets. Also explain its limitations. **07**

(b) What economic factors would you be most interested in forecasting if you were an analyst investigating major consumer durable goods sales for next year? **07**

OR

(b) What is technical analysis? Suppose that the stock market has been declining. A technician is looking for signs of an upturn in the market. What sorts of reading should he or she be expecting from **07**

1.breadth of the market,

2.volume of trading.

Q.3 **(a)** Calculate the expected return and the standard deviation of returns for a stock having the following probability distribution of returns. **07**

POSSIBLE RETURNS (IN %)	PROBABILITY OF OCCURRENCE
-25	0.05
-10	0.10
0	0.10
15	0.15
20	0.25
30	0.20
35	0.15

(b) What are the assumptions of the CAPM model? Explain how Capital Market Line is a special case of the security market line. **07**

OR

Q.3 **(a)** The following information is available for stock-A and stock-B **07**

	Stock-A	Stock-B
Expected return	12%	18%
Standard deviation	24%	36%
Coefficient of correlation	0.60	

Calculate

1. Weightage of stock-A and Stock-B in the minimum variance portfolio.
2. Expected return and risk of the minimum variance portfolio.

(b) What is risk? Explain different kind of risk associated with investments in detail. **07**

Q.4 **(a)** Calculate duration of a bond which has face value of Rs.100, paying interest at a rate of 10% and maturing in 7 years. Market YTM on such bonds is 12 percent. **07**

(b) Explain any three methods for portfolio performance measurement. **07**

OR

Q.4 **(a)** Explain the bond price theorem with suitable illustrations. **07**

(b) Suppose that four portfolios experienced the following results during a eight-year period: **07**

Portfolio	Mean annual return (%)	Stand deviation (%)	Correlation with market (%)
A	15.6	27.0	0.81
B	11.8	18.0	0.55
C	8.3	15.2	0.38
D	19.0	21.2	0.75
Market	13.0	12.0	
Treasury bills	6.0		

1. Calculate beta coefficient for each portfolio.
2. Rank the four portfolios using Sharpe's, Treynor's and Jensen's methods.

Q.5 **(a)** Explain the technique of moving average analysis. What signals are provided by it? **07**

(b) The returns on the equity stock of Arvind Auto Ltd. and BSE-100 are given in the following table. **07**

Year	Arvind Auto Ltd.	BSE-100
2001	14	12
2002	-4	2
2003	16	14
2004	32	26
2005	10	12
2006	27	24
2007	3	-2
2008	-20	-20
2009	-6	-4
2010	12	14

Calculate alpha and beta for the equity stock.

OR

Q.5 **(a)** Discuss the passive strategies for managing a bond portfolio. **07**

(b) Discuss the various types of order. **07**

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