

03901

MANAGEMENT PROGRAMME

Term-End Examination

June, 2014

**MS-44 : SECURITY ANALYSIS AND
PORTFOLIO MANAGEMENT**

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : Attempt any five questions. All questions carry equal marks. Present value and annuity tables are to be provided, if asked for.

1. Define Investment. Discuss the effect of changes in investment environment on investment decisions.
2. What do you understand by Initial Public Offer (I.P.O.) ? Who are allowed to make an I.P.O. ? Discuss the salient features of the SEBI guidelines on I.P.O.
3. (a) What is meant by Yield-To-Maturity (YTM)? How is it different from current yield and coupon rate ?
(b) Mr. Prashanth owns Rs. 1,000 face value bond with five years to maturity. The bond has an annual coupon of Rs. 75. The bond is currently priced at Rs. 970. If the appropriate discount rate is 10%, should Prashanth hold or sell the bond ?

4. "Fundamental analysis provides an analytical framework for rational investment decision-making". Discuss.
5. (a) What are the various limitations of Markowitz model? How the Sharpe's single index model simplifies the selection process of portfolio investment?
 - (b) Stocks X and Y have the following parameters :

	Stock X	Stock Y
Expected return	20%	30%
Expected variance	25	36
Covariance X Y	30	

Is there any advantage of holding a combination of X and Y ?

6. Explain the logic of the Arbitrage-Pricing Theory (APT). How does it compare and contrast with the Capital Asset Pricing Model (CAPM) ?
7. What is the essential difference between the Sharpe and Treynor Indexes of portfolio performance ? Which one do you think is preferable and why ?
8. How are the returns on managed portfolio attributed to stock selection and market timing ? Discuss with illustrations.
