

MANAGEMENT PROGRAMME

Term-End Examination

June, 2016

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

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- Note :** (i) *Attempt any five questions.*
(ii) *All questions carry equal marks.*
(iii) *Present value and annuity tables are to be provided, if asked for.*
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1. Define investment. State and explain the elements and objectives of investment.
2. (a) Explain the importance of risk and return in security analysis. How would you estimate risk and return for a common stock ?
(b) A firm has paid a dividend of ₹ 5 per share last year. The growth in the dividends is expected to be 5% per annum. Determine the estimated market price of the equity share if growth rate of dividend :
 - (i) rises to 10% and
 - (ii) falls to 2%
 - (iii) Find the present market price of the share, if required rate of return of the investor is 15%.

3. "Fundamental analysis provides an analytical framework for rational investment decisions". Discuss.
4. Define Markowitz diversification. Explain the statistical methods used by Markowitz to obtain the risk reducing benefit.
5. (a) What is Capital Market Theory ? Explain how security market line will be determined.
 (b) Calculate the Sharpe's Index for Portfolios X, Y and Market (M) from the following data :

	X	Y	M
Standard deviation	18%	16%	8%
Return	14%	20%	20%

The risk free rate is 10%

Which of the above portfolios you would prefer and why ?

6. Define the Efficient Market Hypothesis. What kinds of empirical evidence were produced to reject the efficient market hypostasis ?
7. What is portfolio performance evaluation ? Explain the Treynor's measure of portfolio evaluation.
8. What is portfolio revision ? Explain the active and passive strategies in portfolio revision.
