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**Question Paper Code : 70112**

M.B.A. DEGREE EXAMINATIONS, NOVEMBER/DECEMBER 2019  
Elective  
BA 5012 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT  
(Regulations 2017)

Time : Three Hours

Maximum : 100 Marks

Answer ALL questions

PART – A

(10×2=20 Marks)

1. Distinguish between the financial and economic meaning of investment.
2. Define risk and distinguish between systematic and unsystematic risk.
3. How does reverse book building work ?
4. List the market participants of the secondary market.
5. How is economic growth related to stock prices ?
6. How is the competitive position of a company within an industry determined ?
7. What are price charts ?
8. How are moving averages useful in studying trends and trend reversals ?
9. Write a note on multi-index models for portfolio analysis.
10. What is capital asset pricing model ?



## PART – B

(5×13=65 Marks)

11. a) Discuss the factors that differentiate the investor from the speculator and gambler.

(OR)

- b) What is unsystematic risk ? Explain the different types of risk involved in investing in stocks.

12. a) “Stock exchanges provide the linkage between the savings in the household sector and the investments in the corporate sector”. Explain.

(OR)

- b) Discuss the role of the NSE in reforming the stock market in India.

13. a) Explain the factors that have the most significant effect on an industry's earnings.

(OR)

- b) Discuss any four factors considered to be most important in appraising companies in different industries.

14. a) Explain the basic principles and hypothesis of Dow theory.

(OR)

- b) Explain the merits and demerits of technical analysis as a tool of security analysis.

15. a) “When an investor is assumed to use riskless lending and borrowing in his investment activity, the shape of the efficient Frontier transforms into a straight line”. Illustrate.

(OR)

- b) Portfolio evaluation essentially comprises two functions namely performance measurement and performance evaluation”. Discuss.



PART – C

(1×15=15 Marks)

16. a) The following data are available to you as a portfolio manager :

Security	Estimated return (per cent)	Beta	Standard deviation (per cent)
1	32	2.10	50
2	30	1.80	35
3	25	1.65	42
4	20	1.30	26
5	18	1.15	29
6	15	0.85	18
7	14	0.75	20
8	12	0.50	17
Market Index	16	1.00	25
Govt. Security	7.5	0	0

- a) In terms of security market line, which of the securities listed above are undervalued ?
- b) Assuming that a portfolio is constructed investing equal proportion of funds in each of the above securities, what is the expected return and risk of such a portfolio ?

(OR)

b) An investor owns a portfolio composed of five securities with the following characteristics :

Security	Beta	Random error term standard deviation (per cent)	Proportion
1	1.35	5	0.10
2	1.05	9	0.20
3	0.80	4	0.15
4	1.50	12	0.30
5	1.12	8	0.25

If the standard deviation of the market index is 20 per cent, what is the total risk of the portfolio ?

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