

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**MBA Winter 2019 - 20 Examination**

**Semester: 3**  
**Subject Code: 06201202**  
**Subject Name: Security Analysis & Portfolio Management**

**Date: 02/12/2019**  
**Time: 10:30am to 1:00pm**  
**Total Marks: 60**

**Instructions**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as Directed.**

**A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark) (05)**

**1. Which of the following Bonds do not pay dividend during the life of the Bonds?**

- |                     |                     |
|---------------------|---------------------|
| a) Zero Coupon Bond | c) Coupon Bond      |
| b) Callable Bond    | d) Convertible Bond |

**2. In bar chart what does the red line represents?**

- |                                  |                             |
|----------------------------------|-----------------------------|
| a) Stock Prices are getting high | c) Stock prices are closing |
| b) Stock Prices are getting low  | d) Stock prices are opening |

**3. Which of the following line depict the tradeoff between risk and expected return for individual securities?**

- |                         |                        |
|-------------------------|------------------------|
| a) Value Market Line    | c) Capital Market Line |
| b) Security Market Line | d) All of the above    |

**4. The company that might not have historical perspective in background but it will find place in future depending on the product or history is a \_\_\_\_\_**

- |                  |                      |
|------------------|----------------------|
| a) Value Company | c) Small Cap Company |
| b) Large Company | d) Growth Company    |

**5. RSI is stands for?**

- |                                |                            |
|--------------------------------|----------------------------|
| a) Repetitive Strength Index   | c) Relative Sensex Index   |
| b) Repetitive Sensex Indicator | d) Relative strength Index |

**B). Define the following. (Each of 1 mark) (05)**

1. Investment
2. Yield Curve
3. Nominal Return
4. EMH
5. YTM

**C). Direct questions. (Each of 1 mark) (05)**

1. Real Return
2. Intrinsic Value
3. Forward Rate
4. Duration
5. Immunization

**Q.2 Answer the following questions.**

**A). Distinguish between investing and speculation and gambling. Do you favor speculation? Discuss (07)**

- B).** ABB Ltd's latest annual dividend of Rs. 25 per share was paid yesterday and maintained its historic 8% annual rate of growth. You plan to purchase the stock today believing that the dividend growth rate will increase to 10% for the next three years and the selling price of the stock will be Rs. 400 per share at the end of that time. **(08)**
- How much would you be willing to pay for the ABB stock if you require 15% return?
  - What is the maximum price you should be willing to pay for the ABB stock if you believe that 10% growth rate can be maintained indefinitely and you require a 15% return?
  - If the 8% rate of growth is achieved, what will the price be at the end of year 3, assuming conditions in part b?

**Q.3** Answer the following questions.

- A).** Coupon Rate: 10%, Yield to Maturity: 10%, Maturity: 10 years **(07)**
- Find the duration of the bond.
  - Why the duration of bond is less than its maturity?
  - What will be the effect of the following changes on the duration of bond:
    - Coupon rate is 7% rather than 10%
    - YTM is 13% rather than 10%
    - Maturity period 8 years rather than 10 years
- B).** The following information is available of securities' risk, return and correlation **(08)**

Particular	Stock-A	T-Bills
Expected Return	16%	12%
$\delta$ Risk	20%	15%
Correlation is 0.2		

You are required to

- Determine the minimum risk portfolio of combination of these two instruments.
- If T-Bill & stock A are perfectly negatively correlated then find out the proportion to be invested in two instruments for minimum portfolio risk

**Q.4** Attempt any two questions. **(Each of 7.5 mark)** **(15)**

- A stock costing Rs.2400 pays no dividends. The possible prices that the stock might sell for at the end of the year and the probability of each are:

Possible Prices (Rs)	Probability
2300	0.1
2400	0.1
2500	0.2
2600	0.3
2700	0.2
2800	0.1

- What is the expected return?
- What is the standard deviation of the returns?

2. What will be impact of following changes in economic factors on Indian stock market? Explain the importance of Economic factors in fundamental analysis.

<b>Economic Factors</b>	<b>2017</b>	<b>2018</b>
GDP	7.3	6.9
Inflation	6.5	5.05
Interest Rate	8.75	9
BOP Deficit	\$18.1 billion	\$ 1.2 billion
Monsoon	89%	112%
Crude Oil Price	120 \$ per Barrel	77 \$ per Barrel

3. Explain Fama's Net Selectivity Approach Model

4. What is risk? What are the various types of risk involved in investment decision?