



PG – 755

Second Semester M.F.A. Examination, June 2016  
(Semester Scheme)  
**FINANCE AND ACCOUNTING**  
Paper – 2.4 : Securities Analysis and Portfolio Management

Time : 3 Hours

Max. Marks : 80

SECTION – A

1. Answer **any ten** questions in about **3-4** lines. **Each** question carries **2** marks :  
(2×10=20)
- What are the objectives of investment ?
  - What is co-relation between two securities ?
  - What are colour portfolios ?
  - What are risk-free assets ?
  - Define duration of bonds.
  - Mr. A buys a share and holds it for a year. He expects a dividend of Rs. 2 next year. He sells the share at an expected price of Rs. 21. If the required rate of return is 15%, what is the present value of the share ?
  - What is non-diversifiable risk ?
  - What are zero coupon bonds ?
  - What is immunisation ?
  - What are defensive shares ?
  - What is Security Market Line ?
  - Distinguish between business risk and financial risk.

SECTION – B

Answer **any three** questions in about **one page each**. **Each** question carries **5** marks :  
(3×5=15)

- What are bonds ? Explain different types of bonds.
- What is portfolio revision ? Explain the types of formula plans used in portfolio revision.
- What is Term-structure of interest ? Explain the theories covered under Term-structure of interest.

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5. ABC Ltd. is currently paying a dividend of Rs. 2.75 per share. It is expected that the earnings and dividends of the company are likely to grow at 8% over the next 5 years and stabilise there after 5%. What is the present value of the shares if the required rate of return is 20% ?
6. The Government of India is proposing to sell a 5 year bond of Rs. 1,000 at 8% coupon rate. The bond will be amortised equally over its life. If an investor has a minimum required rate of return of 7%, what is the present value of the bond ?

## SECTION – C

Answer **any two** questions in about **3 pages each**. Each question carries **15 marks** :

(2×15=30)

7. Explain in detail the Dows theory and how it is used to determine the direction of stock market ?
8. What is the role of RBI in security market ?
9. Explain the Bond Value theories with examples.
10. From the following particulars, determine the yield to maturity (ytm) and volatility of the bond :  
Face Value – Rs. 1,000, Coupon interest – 16% PA payable annually, years to maturity – 6 years.  
Redemption Value – Rs. 1,000, current market price – Rs. 964.50.

## SECTION – D

11. **Compulsory :**

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The following information is provided regarding the performance of funds namely Birla Advantage, Sundaram Growth Fund and Sun F and C Value for a period of 6 months ending Aug. 2010. The risk free rate of interest is assumed to be 9%. Rank the funds under :

- 1) Sharpe Index and
- 2) Treynors index.

Fund	$R_p$	$Q_p$	$\beta$
Birla Advantage	25.38	4	0.23
Sundaram Growth	25.11	9.01	0.56
Sun F and C Value	25.01	3.55	0.59



**II Semester M.F.A. Examination, June 2015  
(CBCS)**

**FINANCE AND ACCOUNTING  
Paper – 2.4 : Securities Analysis & Portfolio Management**

Time : 3 Hours

Max. Marks : 70

**SECTION – A**

Answer **any seven** questions out of **ten**. Each question carries **two** marks. **(7x2 = 14)**

- 1. a) Define new issue market.
- b) What is yield curve ?
- c) What are leveraged portfolios ?
- d) What are heads and shoulders ?
- e) What is minimum portfolio risk ?
- f) What is call money market ?
- g) What is coefficient of determination ?
- h) What are negotiable securities ? Give examples.
- i) What is security analysis ?
- j) What is meant by In-the-money in a call option ?

Year	Return %
2012	14
2013	18
2014	20

**SECTION – B**

Answer **any four** out of **six**. Each question carries **five** marks. **(4x5 = 20)**

- 2. Bring out the differences between investment and speculation.
- 3. An investor purchases a bond at a price of Rs. 900 with Rs. 100 as coupon (interest) payment and sells the bond for Rs. 1,000.
  - a) What is the holding period return ?
  - b) If the bond is sold for Rs. 750 after receiving Rs. 100 as coupon payment, then what is the holding period return ?



4. Distinguish between efficient frontiers and efficient portfolios.
5. Discuss the impact of changes in interest rates and inflation rate on bonds.
6. Following data gives the market return and A Ltd. Scrip's return for a particular period.

	I	II	III	IV	V	VI	VII	VIII	IX
<b>Scrip A Ltd. return</b>	0.70	0.50	0.60	0.50	0.60	0.80	0.50	0.80	0.40
<b>Index Return</b>	0.30	0.60	0.30	0.60	0.40	0.50	0.60	0.30	0.50

Find Beta and Alpha of A Ltd. Scrip.

7. What are the assumptions of CAPM ? Distinguish between CML and SML.

**SECTION – C**

Answer **any three** of the following questions. Each question carries **twelve** marks.

**(3x12=36)**

8. Explain in detail Dows theory and how it is applicable to determine the direction of stock market.
9. Stocks X and Y display the following return over the past three years.

Year	Return %	
Year	X	Y
2012	14	12
2013	16	18
2014	20	15

- a) Determine the expected rate of return on portfolio made up of 40% of X and 60% of Y.
  - b) What is the standard deviation of each security ?
  - c) Determine the portfolio risk of a portfolio made up of 40% of X and 60% of Y.
10. For the first four years A Ltd. is assumed to grow at a rate of 10%. After 4 years, the growth rate of dividend is assumed to decline linearly to 6%. After 9 years, the company is assumed to grow at 6% indefinitely. The next year dividend is Rs. 2 and the required return is 14%. Find out the value of the stock.



- 11. Explain the sharpe index model. How does it differ from Mancowitz model.
- 12. A Ltd. and B Ltd. have the following expected risk and return inputs for the following years.

Year	Return %	Variance $\sigma^2$ %
A Ltd. Iyr	15	16
B Ltd. Ilyr	18	25

Portfolio risk (standard deviation) for a portfolio of 50% in each asset is 4.03. Determine the correlation coefficient that will be necessary to reduce the level of portfolio risk by 75%.

What is the expected return of the equally weighted portfolio [50% of A Ltd. and 50% of B Ltd.?

SECTION - B

(4x5 = 20)