

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER-III • EXAMINATION – SUMMER • 2015

Subject Code: 2830203**Date: 05-06-2015****Subject Name: Security Analysis and Portfolio Management (SAPM)****Time: 14:30 pm – 17:30 pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 (a) What is the meaning of Investment? “A potential investor has an array of investment avenues.” Discuss the statement with suitable examples. **07**

(b) Discuss various empirical tests available to test all forms of EMH. **07**

Q.2 (a) Explain the following terms: **07**

1. IPO
2. Secondary Market
3. Stop-loss order
4. Circuit
5. Short Sell
6. Rolling Settlement
7. Alpha

(b) Write a note on online trading. Also mention different types of orders that can be placed while using online trading. **07**

OR

(b) Differentiate Risk and Uncertainty. How do different types of risk affect investment decision? Use examples. **07**

Q.3 (a) Choose an Industry and identify the factors that will determine its performance in next three years. **07**

(b) Define technical analysis. Explain different continuation and reversal patterns. **07**

OR

Q.3 (a) Explain in detail the Dow theory and how is it used to determine the direction of stock market? **07**

(b) Why would you expect a relationship between economic activity and stock price movements? **07**

Q.4 (a) Following information is available in respect of two securities. **07**

Probabilities	Infocom Ltd.	Autorun Ltd.
0.3	10	11
0.4	16	20
0.3	32	19

Calculate Expected Risk and Return of the Portfolio if the securities are weighted on equal basis.

(b) “Proper diversification reduces risk of a portfolio” – Explain. **07**

OR

Q.4 (a) The CAPM contends that there is systematic and unsystematic risk for an individual security. Which is the relevant risk variable and why is it relevant? Why is the other risk variable not relevant? **07**

- (b) You are considering two assets with the following characteristics: 07

$$\begin{array}{lll} E(R1) = 0.15 & \sigma_1 = 0.10 & W1 = 0.5 \\ E(R2) = 0.20 & \sigma_2 = 0.20 & W2 = 0.5 \end{array}$$

Compute the mean and standard deviation of two portfolios, if $r_1, 2 = 0.40$ and -0.60 , respectively. Plot the two portfolios on a risk-return graph and briefly explain the results.

- Q.5 (a) What are the different tools available for evaluation of mutual funds' (portfolios') performance evaluation? Which do you rate higher and why? 07
- (b) What is duration? Explain the eight rules of duration. 07

OR

- Q.5 (a) What is Mutual Fund? What is Asset Management Company? Discuss the different types of mutual fund schemes in India. 07
- (b) An analyst wants to evaluate portfolio X, consisting entirely of equity shares, using both Treynor and Sharpe measures of portfolio performance. The following table provides the annual average rate of return for portfolio X and market portfolio (BSE) and T-bill during the past eight years 07

	Rate of Return	Standard Deviation	Beta
Portfolio X	10%	18%	.60
BSE	12%	13%	-
T-Bills	06%	-	-

a. Calculate the Treynor and Sharpe measures for both portfolio X and BSE. Briefly explain whether portfolio X underperformed, equal or outperformed BSE on a risk adjusted basis using both the Treynor and Sharpe measures.

b. Based on the performance of the portfolio X relative to the BSE calculated as above, briefly explain the reasons for conflicting measures when using the Treynor versus Sharpe measures
