UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, DEC-2023

Course: Security Analysis & Portfolio Management   **Semester: III**
Program: BBA FIN   **Time**   **: 03 hrs.**
Course Code: FINC2075   **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	MCQ		
I.	According to the CAPM, which of the following is true about an asset with a beta of 0? a) It has no risk. b) It has only unsystematic risk. c). It has the same expected return as the risk-free rate. d) It has a higher expected return than the risk-free rate.	2	CO1
II.	Which of the following is true about the security market line (SML) in the CAPM? a). It represents the relationship between the expected return and beta of individual assets. b) It represents the relationship between the expected return and total risk of individual assets. c) It represents the relationship between the expected return and unsystematic risk of individual assets. d) It represents the relationship between the expected return and liquidity risk of individual assets.	2	CO1

III.	What is the market risk premium in the CAPM?	2	CO1
	a). The difference between the expected return on the market and the risk-free rate.		
	b) The difference between the expected return on a stock and the risk-free rate.		
	c) The difference between the expected return on a bond and the risk-free rate.		
	d) The difference between the expected return on an option and the risk-free rate.		
IV.	Which form of the Efficient Market Hypothesis suggests that all publicly available information is already reflected in stock prices?	2	CO1
	a) Weak form.		
	b). Semi-strong form.		
	c) Strong form.		
	d) None of the above.		
V.	According to the Efficient Market Hypothesis, which of the following is true?	2	CO1
	a). Stock prices always reflect all available information.		
	b) Stock prices never reflect all available information.		
	c) Stock prices sometimes reflect all available information.		
	d) Stock prices reflect some, but not all, available information.		
VI.	Which of the following is a measure of a security's risk-adjusted return?	2	CO1
	a) Standard deviation.		
	b) Beta.		
	c). Sharpe ratio.		
	d) None of the above.		

VII.	Which of the following is a measure of a security's systematic risk?	2	CO1
	a) Standard deviation.		
	b). Beta.		
	c) Sharpe ratio.		
	d) None of the above.		
VIII.	Which of the following is NOT a type of market risk?	2	CO1
	a) Interest rate risk.		
	b) Currency risk.		
	c) Business risk.		
	d). None of the above.		
IX.	Which of the following is a type of risk associated with investments?	2	CO1
	a) Market risk.		
	b) Credit risk.		
	c) Inflation risk.		
	d). All of the above.		
X.	Which of the following is NOT a benefit of diversification?	2	CO1
	a) Reduced risk.		
	b). Increased returns.		
	c) Increased stability.		
	d) None of the above.		

SECTION B

4Qx5M= 20 Marks

Q2	Suppose a share is currently selling at ₹220. An investor who is interested in the share anticipates that the company will pay a dividend of Rs 6 in the next year. Moreover, he expects to sell the share at ₹185 after one year. Calculate the expected return from the investment.	5	CO2
Q3	Explain the concept of unsystematic risk. What are the different types of unsystematic risk	2+3	CO2
Q4	What is beta? How it is interpreted?	2+3	CO2
Q5	write notes on: a) purchasing risk; and b) market risk	2.5+2.5	CO2

SECTION-C
3Qx10M=30 Marks

Q6	From the following information you are required to calculate the risk.		
	Possible return / Probability table below	10	CO3

Possible return	Probability
30	0.20
40	0.40
50	0.30
60	0.20
70	0.10

Q7	With the following information, you are required to calculate the Beta of a stock using regression model: $\Sigma XY = 2160.49$; $\Sigma X = 49.82$; $\Sigma Y = 111.69$; $\Sigma X2 = 1432.75$; $n = 12$ Where, Y is the stock return and X is the market return.	10	CO3
Q8	Discuss the various variables that are considered in company analysis	10	CO3

SECTION-D
2Qx15M= 30 Marks

Q9	Explain the concept of diversification with suitable example.	15	CO3

Q10	a) Explain the concept of CAPM along with its assumptions. b) Explain the concept of efficient frontier in the context of portfolio selection. c) List the limitations of Markowitz model of portfolio selection.	3*5=15	CO4