Name:	
Enrolment No:	

UPES
End Semester Examination, Dec. 2024

Program: INT BBA - MBA (FIN)   Semester: III
Course: Security Analysis & Portfolio Management   Time   : 03 hrs.
Course Code: FINC2075   Max. Marks: 100

Instructions:
This is a CLOSED-BOOK EXAM. Scientific calculators are allowed.
Electronic communication devices such as Smart watches/ Earbuds / Cellphones / Tablets / Laptops / Books / Notes etc. are STRICTLY PROHIBITED.
All questions are compulsory. Your answers must be "brief & to the point."

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Statement of question		
i.	In portfolio theory, the emergence of a new competitor for a firm is considered: a. Unsystematic risk b. Market risk c. Systematic risk d. None of the above	2	CO1
ii.	Book building is used to help in better: a. Price discovery b. Retail participation c. Institutional participation d. None of the above	2	CO1
iii.	Treasury bills are the obligations of: a. State Bank of India b. Reserve Bank of India c. Government of India d. None of the above	2	CO1
iv.	Beta, β, of risk-free investment is: a) Zero b) 1 c) -1 d) None of these	2	CO1
v.	Which of the following is not true? a) Risk can never be reduced to zero	2	CO1

	b) Diversification always reduces risk to zero c) Diversification does not affect risk d) None of the above		
vi.	Which of the following is true? a) Higher the Beta, lower the risk b) Higher the Beta, higher the risk c) Risk is constant d) Beta is constant	2	CO1
vii.	Risk-Return trade-off implies: a) Minimization of risk b) Maximization of risk c) Ignorance of risk d) Optimization of risk	2	CO1
viii.	According to efficient market theorists the stock price a) moves in trend b) each successive change depends on the previous one c) price movements create patterns d) each successive change does not depend on the previous one	2	CO1
ix.	Sell 100 shares of company X at Rs90 each, is a ………… a) best rate order b) limit order c) discretionary order d) stop loss order	2	CO1
x.	Under Markowitz portfolio model for a portfolio of 30 stocks, the number of covariances that must be estimated are: a) 300 b) 350 c) 435 d) 450	2	CO1
SECTION B **Short answer questions** **4Qx5M= 20 Marks**			
Q 2.	What are the key differences between an investor and a speculator?	5	CO2
Q 3.	Describe the risk and return relationship, what is risk diversification?	5	CO2
Q 4.	How would you classify shares into growth, cyclical and defensive? Name some stocks in each group and explain.	5	CO2
Q 5.	Stocks X and Y display following rates of returns over past three years. | Year	Stock X Return %	Stock Y Return %
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2021	15	13
2022	16	17
2023	19	15 | Determine the expected rate of return on a portfolio made up of 40% of X and 60% Y.	5	CO2

Q 6.	Describe briefly the technical approach and fundamental approach to investment analysis for decision making. Which one would you prefer and why?	10	CO3
Q 7.	Following are the dividend and price details of three stocks for the last year. Calculate the total return for each of the three stocks and indicate which one would you invest in and why? <table><tr><td>Stock</td><td>Beginning Price, Rs</td><td>Dividend Paid, Rs</td><td>Ending Price, Rs</td></tr><tr><td>A</td><td>30</td><td>3.40</td><td>34</td></tr><tr><td>B</td><td>72</td><td>4.70</td><td>69</td></tr><tr><td>C</td><td>140</td><td>4.80</td><td>146</td></tr></table>	10	CO3
Q 8.	Risk-adjusted performance evaluation methods using mean-variance criteria came on stage simultaneously with the capital asset pricing model. Explain the performance evaluation methods given by William Sharpe, Jack Treynor, and Michael Jensen and the circumstances in which each might be most relevant for ranking the fund managers?	10	CO3
OR	What does it mean to say that capital markets are efficient? Discuss the rationale for expecting an efficient capital market, i.e. why should capital markets be efficient and what factors contribute to an efficient market?	10	CO3

Q 9.	A portfolio consists of 3 securities, A, B, and C. The proportions of these securities in the portfolio, returns, standard deviations of returns and correlation coefficients among security returns are as under: <table><tr><td>Security</td><td>Proportion in portfolio</td><td>Return %</td><td>Standard Deviation</td><td>Correlation coefficients</td></tr><tr><td>A</td><td>0.2</td><td>10</td><td>6</td><td>$\rho ab = 0.4$</td></tr><tr><td>B</td><td>0.3</td><td>12</td><td>9</td><td>$\rho bc = 0.7$</td></tr><tr><td>C</td><td>0.5</td><td>15</td><td>10</td><td>$\rho ca = 0.6$</td></tr></table> Calculate the expected return and risk of the portfolio?	15	CO4
Q 10.	Discuss the assumptions underlying the capital asset pricing model (CAPM) and the relationship between risk and return for efficient portfolios?	15	CO4
OR	The capital asset pricing model (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?	15	CO4

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