PG Even Semester Exam, May 2025

Commerce

4th Semester

COURSE NO. COM – 653 FM

[Security Analysis and Portfolio Management]

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer five questions, taking one from each Unit

UNIT-I

1. What is investment? What are the basic objectives of investment? Discuss the various avenues available for financial investment in India. 3+4+7=14

2. What is portfolio management? Discuss its importance. Also discuss the phases of portfolio management.

UNIT-II

3. What is fundamental analysis in relation to investment management? Discuss the Economy-Industry-Company Analysis framework from

UNIT-V

9. a. What is Portfolio evaluation? Discuss the perspectives for portfolio evaluation. 2+6=8

   b. The performance of the capital market and a mutual fund is given below: 3+3=6

   Mutual fund beta (β) = 0.87
   Mutual Fund Return (r_p) = 11.05%
   Return of the market index (r_m) = 8.69%
   Return on Govt. Securities (r_f) = 5.95 %

   From the above information, compute the following for the mutual fund.

   i. Sharpe Ratio
   ii. Treynor Ratio

10. Write short notes on any two of the following: 7+7=14

   i. CAPM
   ii. Portfolio Revision
   iii. Decomposition of Performance

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investors' perspective. How fundamental analysis is different from technical analysis. 3+7+4=14

4. a. What is trend reversal? Distinguish between bullish trend and bearish trend. 2+5=7

   b. Draw a trend of 5-days exponential moving average from the closing share price of a company as given below and interpret the same. 2+5=7

Days	1	2	3	4	5	6	7	8	9	10
Closing Price (Rs.)	35	37	89	35	57	56	45	58	56	38

UNIT-III

5. What is valuation of a bond from investors' perspective? Discuss the association between market interest rate and value of a bond. How fundamental analysis is different from technical analysis. 3+7+4=14

6. a. An investor decided to buy 1000 shares of SBI with an intention of selling out at the end of five years. Investor estimate that the company will pay Rs. 10 per share as dividend for the first two years and Rs. 12 per share for the next three years. The investor further estimates that, at the end of the five year holding period, the shares can be sold for Rs. 1000 per share. What would the investor be willing to pay today for these shares if required rate of return is 12% 6

   [PV factor at 12%: 1st year-0.8929, 2nd Year-0.7972, 3rd Year- 0.7118, 4th Year- 0.6355, 5th Year- 0.5674]

   b. Write short notes on any two of the following:4+4=8

      i. Interest rate Risk

      ii. Spot Interest Rate

      iii. Yield to Maturity (YTM)

UNIT-IV

7. What is efficient market hypothesis? Explain the different forms of efficient market hypothesis. Describe the empirical tests used for testing the weak form of efficiency. 3+6+5=14

8. a. What is portfolio analysis? Is diversification in portfolio investment productive to reduce risk? Justify your opinions. 2+5=7

   b. The Variance-covariance matrix for the security are given below: 7

Security	P	Q	R
P	108	-56	94
Q	-56	214	137
R	94	137	180

   Calculate the standard deviation of a portfolio constructed with these three securities, the proportion of investment in each being **P(0.20), Q(0.50)** and **R(0.30).**