

Name:  
Enrolment No:



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**End Semester Examination, December 2022**

**Course: Security Analysis and Portfolio Management**

**Program: BBA\_B.COM\_ALL**

**Course Code: FINC3010P**

**Semester: V**

**Time: 03 hrs.**

**Max. Marks: 100**

**Instructions:**

**SECTION A**  
**10Qx2M=20Marks**

S. No.	Statement of question	Marks	CO
Q1.	A group of securities is known as a. Investment b. Portfolio c. Security d. Gambling	2	CO1
Q2.	----- risk is the variability in stocks returns resulting from the fluctuations in aggregate market.	2	CO1
Q3.	Under the weak form EMH, Technical analysis is not useful. a. True b. False	2	CO1
Q4.	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
Q5.	CAPM Stands For _____	2	CO1
Q6.	Standard deviation can be used to measure: a. Risk of an investment b. Return of an investment c. Both a and b d. None of a and b	2	CO1

Q7.	Which of the following are most liquid in nature  a. Bonds b. Stocks c. Fixed Assets	2	CO1
Q8.	Amount of risk-reduction in a portfolio depends upon:  a. Market movement b. Degree of correlation c. No. of shares d. Both a and b	2	CO1
Q9.	Risk-Return trade-off implies:  a. Minimization of risk b. Maximization of risk c. Ignorance of risk d. Optimization of risk	2	CO1
Q10.	SML stands for  a. Straight Margin Line b. Security Market Line c. Security Margin Line	2	CO1

**SECTION B**  
**4Qx5M= 20 Marks**

Q11	Explain are three different types of investors.	5	CO2															
Q12	You are the top Financial analyst in your firm, and your boss has turned to you for an answer to difficult question. He wants to know which technical indicator you think is the best and why you think so. What is your answer? Explain	5	CO2															
Q13	What are the assumptions of Markowitz's Portfolio Theory.	5	CO2															
Q14	Stocks X and Y display following rates of returns over past three years  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2">Rate of return</th> </tr> <tr> <th>Year</th> <th>Stock X</th> <th>Stock Y</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>14</td> <td>12</td> </tr> <tr> <td>2020</td> <td>16</td> <td>18</td> </tr> <tr> <td>2021</td> <td>20</td> <td>15</td> </tr> </tbody> </table> Determine the expected rate of return on portfolio made up of 40% of X and 60% Y.		Rate of return		Year	Stock X	Stock Y	2019	14	12	2020	16	18	2021	20	15	5	CO2
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<b>SECTION-C</b> <b>3Qx10M=30 Marks</b>															
Q15	<p>Critically evaluate the reason for the conflicting performance ranking by Treynor and Sharpe? Which ranking you would prefer &amp; why?</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain in detail the trends of the market by applying Dow Theory .</p>	<b>10</b>	<b>CO3</b>												
Q16	<p>Analyze various alternatives of Investment and explain objectives of investment.</p> <p style="text-align: center;"><b>OR</b></p> <p>You are considering acquiring shares of common stock in the Madison Beer Corporation. Your rate of return expectations are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">MADISON BEER CORP.</th> </tr> <tr> <th style="text-align: center;">Expected Rate of Return</th> <th style="text-align: center;">Probability</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">-0.10</td> <td style="text-align: center;">-0.05</td> </tr> <tr> <td style="text-align: center;">0.00</td> <td style="text-align: center;">0.30</td> </tr> <tr> <td style="text-align: center;">0.10</td> <td style="text-align: center;">0.10</td> </tr> <tr> <td style="text-align: center;">0.25</td> <td style="text-align: center;">-0.09</td> </tr> </tbody> </table> <p>Compute the expected return on your investment in Madison Beer.</p>	MADISON BEER CORP.		Expected Rate of Return	Probability	-0.10	-0.05	0.00	0.30	0.10	0.10	0.25	-0.09	<b>10</b>	<b>CO3</b>
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Q17	<p>A firm is currently paying a dividend of Rs.2 per share. The rate of dividend is expected to grow at 5% for first 5 years and 10% thereafter.</p> <p>Find out the Intrinsic value of share if the required rate of return of the investor is 15%</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain in detail Efficient Market Hypothesis.</p>	<b>10</b>	<b>CO3</b>												
<b>SECTION-D</b> <b>2Qx15M= 30 Marks</b>															
Q18	<p>You are considering two assets with the following characteristics:</p> <p><math>E(R_1) = .15</math>                      <math>\sigma_1 = .10</math>                      <math>W_1 = .5</math></p> <p><math>E(R_2) = .20</math>                      <math>\sigma_2 = .20</math>                      <math>W_2 = .5</math></p> <p>Compute the mean and standard deviation of two portfolios if <math>r_{1,2} = 0.40</math> and <math>-0.60</math>, respectively. Plot the two portfolios on a risk-return graph and critically interpret the results.</p> <p style="text-align: center;"><b>OR</b></p>	<b>15</b>	<b>CO3</b>												

	<p>Use the information below;</p> <table border="1" data-bbox="185 260 1107 380"> <thead> <tr> <th>Portfolio</th> <th>Weights</th> <th>Expected Return</th> <th>Portfolio Risk (Std. Dev. <math>\sigma</math>)</th> </tr> </thead> <tbody> <tr> <td>Security A</td> <td>0.40</td> <td>15%</td> <td>0.18</td> </tr> <tr> <td>Security B</td> <td>0.60</td> <td>16%</td> <td>0.10</td> </tr> </tbody> </table> <p>Correlation coefficient of between the securities is 0.40</p> <p>Calculate the return of the portfolio?</p> <p>Calculate the risk of the portfolio? And interpret the results</p>	Portfolio	Weights	Expected Return	Portfolio Risk (Std. Dev. $\sigma$ )	Security A	0.40	15%	0.18	Security B	0.60	16%	0.10		
Portfolio	Weights	Expected Return	Portfolio Risk (Std. Dev. $\sigma$ )												
Security A	0.40	15%	0.18												
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<p>Q19</p>	<p>Explain in detail fundamental analysis of the assets.</p> <p style="text-align: center;"><b>OR</b></p> <p>The relevant details of a company are:</p> <p>Annual turnover Rs.50 Lakhs</p> <p>Operating profit 20%</p> <p>Equity share capital Rs.20 lakhs (FV Rs.100)</p> <p>Capital reserves Rs.5 Lakhs</p> <p>12% preference share capital Rs.20 Lakhs</p> <p>10% Term Loan Rs.10 Lakhs</p> <p>12% Debt Rs.10 Lakhs</p> <p>Tax rate 30%, Dividend payout ratio 50%, P/E=30</p> <p>Find out:</p> <ol style="list-style-type: none"> <li>1. EPS</li> <li>2. DPS</li> <li>3. MARKET PRICE</li> <li>4. EARNING YIELDS</li> <li>5. DIVIDEND YIELD</li> </ol>	<p><b>15</b></p>	<p><b>CO4</b></p>												