Roll No: --------------------------

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BBA General	**Semester – IV**
Subject (Course): Security Analysis and Investment Management	**Max. Marks : 100**
Course Code : BBCF-143	**Duration : 3 Hrs**
No. of page/s: 5	

Note: 1) Mention Roll No at the appropriate place in the question paper.

Section –A (Objective Type) (10*2)

Q 1 Dow theory was developed to explain the

a) New York Stock Market Movements
b) Dow Jones Industrial Average
c) Security Market price movements
d) Buys and sell strategy

Q 2 According to stock market psychology

a) Investors forget the past
b) History repeats itself
c) More faith is placed in prediction of the future
d) a and b

Q 3 Diversification reduces

a) interest rate risk
b) market rate risk
c) unique risk
d) inflation risk

Q 4 Risk lover's utility curve have

a) positive slope
b) negative slope
c) convex to the origin
d) negative slope and convex to origin

Q 5 Speculator is a person

a) Who evaluates the performance of the company
b) Who uses his own fund only
c) Who is willing to take high risk for high gain
d) Who considers hearsays and market risk

Q 6 The unsystematic risk is explained by

a) Variance of the risk
b) Unexplained variance of the index
c) Explained variance of the index
d) None of the above

Q 7 Company X has a beta of 1.5. The expected return is 15% and the risk free rate of interest is 5%. What is the market return?

a) 6.67
b) 15.66
c) 10.33
d) 12.33

Q 8 In the case of optimum portfolio, the cut-off point is

a) The middle most value of C_i
b) The half of the cumulative value of C_i
c) The declining point of the cumulative value of C_i
d) The average of C_i

Q 9 The aggressive investors buy more of

a) Money market instrument
b) Gold
c) Equity shares
d) Options & Futures

Q10 The problem with Markowitz model is that a number of covariances have to be estimated. For example, for a portfolio of 30 stocks, the co-variances that have to be estimated are

a) 300
b) 350
c) 435
d) 450

Section B

Short Answer Questions (4*5)

Q2: Distinguish between the security market line and capital market line.

Q3: Do stock prices have a support and resistance level? Explain it.

Q4: Assume that the risk free rate of return is 7 percent. The market portfolio has an expected return of 14 % and a standard deviation of return of 25 %. Under the equilibrium conditions as described by CAPM, what would be the expected return for a portfolio having no unsystematic risk and 20 % standard deviation of return?

Q 5: Discuss the different trends given in Dow theory.

Section C

Analytical Questions (2*15)

Q 6 An investor wants to build a portfolio with the following four stocks. With the given details, find out his portfolio return and portfolio variances. The investment is spread equally over the stock.

Company	α	β	Residual variance
Infosys	0.17	0.93	45.15
Satyam	2.48	1.37	132.25
Oracle	1.47	1.73	196.28
IBM	2.52	1.17	51.98

Market Return (Rm) = 11
Market Return Variance = 26

Q 7 Assume you are a portfolio manager. Based on the following details, determine the securities that are overpriced and those that are underpriced in terms of the SML.

Security	Actual Returns	β	Σ
A	0.33	1.7	0.50
B	0.13	1.4	0.35
C	0.26	1.1	0.40
D	0.12	0.95	0.24
E	0.21	1.05	0.28
F	0.14	0.70	0.18
Nifty index	0.13	1.00	0.20
T-bills	0.09	0	0.0

Section D **(30Marks)**

Case Analysis

Case Analysis

Q8 A portfolio manager has got the following information about several stocks. He has to build a optimum portfolio for his client.

Company	**Expected Return**	**β**	σ^2_{ei}
A	22	1.0	35
B	20	2.5	30
C	14	1.5	25
D	18	1.0	80
E	16	0.8	20
F	12	1.2	10
G	19	1.6	25
H	17	2.0	30

The market index variance is 12 per cent and the risk free rate of return is 7 per cent.