PG- COMMERCE

QUESTION BANK

Security Analysis and Portfolio Management

MCom 3rd Semester (P-302)

Two Marks Questions.

I. What is yield curve?

II. What are leveraged portfolios?

III. What are heads and shoulders?

IV. What is minimum portfolio risk?

V. What is call money market?

VI. What is Red Herring Prospectus?

VII. What are business and financial risks?

VIII. What is minimum risk portfolio?

IX. What is correlation coefficient?

X. What is money market?

XI. What are zero coupon bonds?

XII. XYZ Ltd. would pay Rs.4 as dividend per share next year. The dividend is expected to grow perpetually at 12%. What would be the value of equity shares if the investors expected return is 20%?

XIII. What is characteristic regression line?

XIV. What is P/E ratio?

XV. What is immunisation of bonds?

XVI. Define efficient frontiers.

XVII. What are the stock market indices? List out the major indices.

XVIII. What is relative strength index?

XIX. What is alpha?

XX. List out various types of risks.

XXI. What is yield curve?

XXII. Define default risk.

XXIII. What is risk indifference behaviour?

XXIV. What are income shares?

XXV. What is risk free rate of return?

XXVI. List out the assumptions of CAPM.

XXVII. What is credit rating?

XXVIII. What are the commonly used measures of risk and return?

XXIX. What are head and shoulders?

XXX. What is duration of bonds?

XXXI. What is a corner portfolio?

XXXII. What is meant by financial risk?

XXXIII. What are negotiable securities? Give three examples.
XXXIV. What are zero coupon bonds?
XXXV. The Beta of a stock is 3. What is its impact on the stock value ?
XXXVI. What is commercial paper?
XXXVII. What is the impact of co-variances between two securities?
XXXVIII. What are the ways in which a company may raise equity capital?
XXXIX. An investor considers Rs. 1,000 par value bonds bearing a coupon rate of 11% with 5 years maturity period. The required ytm is 15%. The bond is currently sold at Rs. 870. Should he buy the bond?

XL. What are risk free assets? Give examples.

XLI. What is meant by riding the yield curve?

XLII. What is a certificate of deposit?

XLIII. What is meant by intrinsic value?

XLIV. What is characteristic regression line?
XLV. What is Security market?
XLVI. What is duration or bonds?

Three marks Question.

I. Bring out the differences between investment and speculation.

II. An investor purchases a bond at a price of Rs. 900 with Rs. 100 as coupon (interest) payment and sells the bond for Rs. I ,OOO.
III. What is the holding period return ? b) If the bond is sold for Rs. 750 after receiving Rs. 100 as coupon payment, then what is the holding period return ?
IV. Distinguish between efficient frontiers and efficient portfolios.

V. Discuss the impact of changes in interest rates and inflation rate on bonds.

VI. Following data gives the market return and A Ltd. Scrip's return for a particular period.
VII. What are the assumptions of CAPM ? Distinguish between CML and SML.
VIII. Explain the investment process.

IX. Explain

I) Historical return 2) Expected return and

3) Risk adjusted return

X. Primary and secondary markets are complementary to each other but their organisational setup are different. Explain.
XI. What is CAPM ? What are the underlying assumptions?
XII. Explain the theories under term structure of interest.
XIII. What are the differences between Markowitz and Sharpe performance indices?
XIV. What are the functions or stock exchanges?
XV. How does systematic risk affects individual stock return?

Long Type Question

i. Explain in detail Dows theory and how it is applicable to determine the direction of stock market.

ii. Stocks X and Y display the following return over the past three years.

Year	Return %	
Year	X	
2012	14	12
2013	16	18
2014	20	15

a. Determine the expected rate of return on portfolio made up of 40% of X and 60% of Y.

b. What is the standard deviation of each security ?

c. Determine the portfolio risk of a portfolio made up of 40% of X and 60% of Y.

iii. Explain the Sharpe index model. How does it differ from Mankowitz model.

iv. . A Ltd. and B Ltd. have the following expected risk and return inputs for the following years.

Year	Return %	Variance o %
A Ltd. lyr	15	16
B Ltd. llyr	18	25

Portfolio risk (standard deviation) for a portfolio of 50% in each asset is 4.03. Determine the correlation coefficient that will be necessary to reduce the level of portfolio risk by 75%.
What is the expected return of the equally weighted portfolio [50% of A Ltd. and 50%of B Ltd.?

v. Explain in detail Does theory and how it is used to determine the direction of stock market.

vi. Explain the bond value theories with examples.

vii. The face value of equity shares of ABC Ltd. is Rs.IO. The company declared a dividend of 32% for the year 1997-98. The dividends are expected to grow at 21% for the nbxt 5 years and at 10% for the next three years, where after the growth will be 9% perpetually. If the required rate ot retum is 20%, find the present value of the shares.

Mahesh intends to invest Rs.10 lakh in stock market. The T.bill rate is 5% and the market return variance is 10. The following table gives the details regarding the expected return, Beta and the residual variances of the securities. What the optimum portfolio?

viii. Explain in detail the fundamental analysis and how it is useful in selection of securities.

ix. For the first four years XYZ firm is assumed to grow at the rate of 10%. After
4 years the growth rate is dividend is assumed to decline linearly at 6% for the next 3 years. After 7 years, the firm is assumed to grow at a rate of 6% indefinitely. The next year dividend proposed is Rs. 2 per share and the required rate of return is 14%. Find out the value of the stock.

x. Explain in detail the methods of valuation of shares.

2. Stocks A and B have yielded the following returns for the past 2 years

Year Returns %

2009 12 14 201012

a) What is the expected return on portfolio with 60% A and 40% B ?
b) Find out the standard deviation.
c) What is the covariance between A and B ?
d) What is the portfolio risk if the portfolio has 60% A and 40% B ?

Stocks L & M have yielded the following returns for the past two years.

Year	Return %

	L	M
2005	12	14
2006	18	12

a) What is the expected return on portfolio made up of 60% of L and 40% of M ?

b) Compute the standard deviation of pach stock.

c) What is coefficient of co-relation between L & M.?

d) What is the portfolio risk with the above proportion?