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Department of Management Studies

R. No. 12

## National Institute of Technology, Hamirpur (HP)

MBA

Branch: MBA

Semester: 3<sup>rd</sup>

Course Name: Security Analysis and Portfolio Management Course Code : MB-721

Time: 180 min (December, 2022)

Maximum Marks: 50

### PART-A

(2X5= 10 Marks)

*Note: All questions are compulsory and carry two marks for right responses*

Q.1 Differentiate between Investors and Speculators.

Q.2 A trader writes a December put option with a strike price of \$30. The price of the option is \$4. Under what circumstances does the trader make a gain.

Q.3 A treasury bond is available at Rs 9900. After few months the bond is to mature for Rs 10,000. Find out holding period return given that there is no interest income during the holding period.

Q.4 Options and futures are zero sum games. What do you think is meant by this statement?

Q.5 Discuss the effect of combining two securities in a portfolio as per modern portfolio theory of Harry Markowitz.

### PART-B

(40 Marks)

*Note: Attempt all questions*

Q.1 Discuss objective and functions of security exchange board of India.

Q.2 Define the term derivative. Discuss various types of derivatives.

Q.3 A trader enters into a short forward contract to sell 1,00,000 British pounds for U.S Dollars at an exchange rate of 1.9000 USD per pound. How much does investor gain or lose if the exchange rate at the end of contract is:

(a) 1.8900

(b) 1.9200 ?

Q.4 What is meant by the term technical analysis. Explain various types of charts used by technical analysts to predict future behavior of prices.

Q.5 Explain the efficient market hypothesis and three forms of market efficiency. What is the basic idea behind the effective market hypothesis?

Or

Explain the Dow theory and Elliot wave theory with the help of diagrams. How the former can be used to determine the direction of stock market?

Q.6 Discuss the history of mutual fund market in India along with different types of mutual fund.

Q.7 Following information is provided in respect of a security:

$$I_{RF} = 8\%$$

$$R_M = 16\%$$

$$\beta = .7$$

- (i) Find out the required return of the security based on CAPM model, and
- (ii) If the other security has an expected return of 24%, what must be its beta?

Q.8 For the following problems, you will be advising Sam, who has a bond with face value \$150 at 6.5% interest and a 20-year maturity.

1. The bond has a current price of \$98. What is the approximate YTM? Should Sam sell the bond?
2. The bond has a current price of \$151. What is the approximate YTM? Should Sam sell the bond?