

Jagan Institute of Management Studies
End-Term Examination, September-October, 2017
Trimester IV – PGDM (IB)/ PGDM (RM) 2016-18

Security Analysis & Portfolio Management

ET_IB_RM_SAPM_0410

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 Consider the following information relating to two stocks:

Stock	Expected return (%)	Standard Deviation of Return (%)
L	15	30
R	10	20

- a) What is the expected return on portfolio made up of 60 percent of L and 40 per cent of R?
- b) What is the portfolio risk of a portfolio made up of 60 per cent of L and 40 per cent of M & correlation is 0.5?
- c) Analyze the concept of portfolio risk & return when Correlation between the stocks is 1 & -1 which correlation will you prefer as a fund manager.

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Q 2 You buy a bond with 3 years to maturity. The bond has a coupon rate of 12 per cent and is priced Rs.100 FV. Market Price of the Bond is 125. The yield of the bond is 10%. The modified duration of the bond is 2.5.

- a) What will be the percentage change in the price of the bond if the interest rate rises by 150 basis points & declines by 100 basis points?
- b) What is the relationship between price of the bond & yield?
- c) Explain the difference between clean price & dirty price

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Q 3 Fund manager uses different types of techniques to analyse the performance of the fund scheme like Beta, R square, alpha, Sharpe ratio, Ratio. Explain the significance of all in mutual fund scheme analysis.

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Q 4 Stocks A and B have the following joint probability distribution of returns for next year.

Economic Conditions	Probability	Return A %	Return B %
Boom	0.1	20	14
Recession	0.4	-16	-20
Normal	0.2	14	18

Recovery	0.1	9	12
Slow growth	0.2	8	10

- a) Determine the expected covariance of returns and the correlation of returns for the stocks A and B.
- b) Determine the portfolio risk for a portfolio of 50 percent in each stock.
- c) Calculate the expected return for A and B

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- Q 5
- a) Explain the concept of CAPM model.
 - b) Define efficient frontier. Distinguish between efficient portfolio and inefficient portfolios

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Q 6 Study the table given below carefully.

Year	RIL Stock (%)	Return on Market (%)
2017	29%	-10%
2018	31%	24%
2019	10%	11%
2020	6%	-8%
2021	-7%	3%

- a) Calculate the beta value of the RIL stock & interpret the variance for the stock RIL.
- b) Calculate the value of RIL Alpha.
- c) Determine the regression equation

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- Q 7
- a) Chart patterns are helpful in predicting the stock price movement. Explain
 - b) Label the diagram based on Japanese Candlesticks, MACD, RSI, Moving Average



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