

**School of Finance and Commerce**

**Master of Business Administration in Financial Management  
Semester End Examination - Jul 2024**

**Duration : 180 Minutes  
Max Marks : 100**

**Sem II - H1PE201T / MBAF0801 - Security Analysis and Portfolio Management**General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) What do you understand by investment decision process? K1(2)
- 2) What does a positive Jensen's Alpha indicate about an investment? K2(4)  
What are the limitations of using Jensen's Alpha?
- 3) Consider an investment portfolio with an average annual return of 15%, a beta of 1.2, and a standard deviation of 18%. Calculate its Treynor Performance Measure given a risk-free rate of 6%. K2(6)
- 4) What is an efficient portfolio in the context of HM Model. Explain the role of investors preference in identifying optimal portfolio. K3(9)
- 5) Critically examine the HM Model giving its assumptions and limitations. What do you understand by Beta of the security? K3(9)
- 6) ABC Ltd. is considering the issue of bonds with face value of Rs. 100 each with maturity in 7 years at a premium of 10%. Coupon rate payable for the first two years would be 8%, for next 2 years 12% and then 15% for the remaining period. In the market, the annual yield on similar bonds is 15%, but in order to attract debt investors, the company wants to price the bond in such a way as to offer them an annual yield of 16%. At what price, the bonds be issued to the investors? K5(10)
- 7) The current price of a company share is Rs. 70. The company is expected to pay a dividend of Rs. 4.20 per share increasing with an annual growth rate of 5%. If an investor's required rate of return is 10%, should he buy the share? Also, explain the advantages of mutual funds. K4(12)
- 8) a. How is intrinsic value of a bond determined? Explain with suitable examples. b. XYZ Ltd. Issues 10% bonds maturable in 3 years time. Find out the value of the bond if the company pays a coupon payment of Rs. 50 every half-year and the maturity value is at par. Required rate of return is 10%. K5(15)
- 9) What is convertible bond? Why do investors prefer convertible bonds over a non-convertible bond? K5(15)
- 10) What do you mean by fundamental analysis? State the rational, procedure and limitations of this analysis. K6(18)