

MSc IT in FIT Sem.-1 Examination
FITBSC-06
Security Analysis & Port. Mgmt.
January-2024

Time : 2-30 Hour]

[Max. Marks : 70

Instructions:**Figures to the right indicate full marks.****Q.1 Answer the following Questions. (Any Two)****(7*2 Marks)**

- (A) Explain Investment Management with its objectives.
 (B) Explain difference types of Investment.
 (C) Explain Investment Process with any one process in detail.

Q.2 Answer the following Questions. (Any Two)**(7*2 Marks)**

- (A) Mr Adarsh is working with Money Managers Ltd. At Mumbai. He is aware of the mechanical portfolio management techniques and wants to test one of the techniques on an equity fund he has constructed and compare the gains and losses from the technique with those from a passive buy and hold strategy. The fund consists of equities only and the ending NAVs of the fund he constructed for the last 10 months are given here:

Month	Ending NAV (Rs. /unit)	Month	Ending NAV (Rs. / Unit)
December 2022	40.00	May 2023	37.00
January 2023	25.00	June 2023	42.00
February 2023	36.00	July 2023	43.00
March 2023	32.00	August 2023	50.00
April 2023	38.00	September 2023	52.00

Assume that Adarsh had invested a notional amount of Rs. 20 lakhs equally in the equity fund and a conservative portfolio (of bonds) in the beginning of December 2020 and total portfolio was being rebalanced each time the NAV of the fund increased or decreased by 15%.

You are required to determine the value of the Portfolio for each level of NAV following the Constant Dollar Value Plan.

- (B) The investment portfolio of Mr Rajiv Sharma consists of an aggressive stock, Larsen & Tubro Ltd. (L & T), and risk-free fixed income securities in the ratio of 1:1. Current market value of the portfolio is Rs. 70 lakhs. He would like to use the Constant Ratio Plan for revision of the portfolio. The target ratio for the aggressive stock and the risk-free fixed income securities is 1:1. He rebalances the portfolio whenever the actual ratio deviates from the target ratio by 10 percent. The current market price of L&T is Rs. 175. Assuming that the market price of L&T first increases to Rs. 215 and then declines to Rs. 165, you are required to:
- Determine the revaluation points in the given ranges of prices for L&T.
 - Show how the rebalancing of the portfolio can be carried out.
- (C) Find out the any three most effective problems in Portfolio Revision.

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Q.3 Answer the following Questions. (Any Two)

(7*2 Marks)

- (A) Explain Price/Book Value Ratio with its Advantages & Disadvantages.
- (B) XYZ Ltd. paid a dividend Rs. 2 for the current year. The dividend is expected to grow at 40% for the next 5 years and at 15% per annum thereafter. The return on 182 days T-bills is 11% per annum and the market return is expected to be around 18% with a variance of 24%. The covariance of XYZ's return with that of the market is 30%. You are required to calculate the intrinsic value of the XYZ stock.
- (C) Explain Industry Life Cycle with its stages.

Q.4 Answer the following Questions. (Any Two)

(7*2 Marks)

- (A) Define Risk. Explain different types of risk.
- (B) The following information of Ram and Co. Ltd., is available in respect of the return from security X under different economic conditions:

Condition Economic	Return	Prob.
Good	18%	0.10
Average	15%	0.40
Bad	12%	0.30
Poor	05%	0.20

Find out Risk & Return.

- (C) Consider the following data about two securities A and B:

Particulars	Security A	Security B
Expected Return (%)	15	18
Standard deviation of returns (%)	18	12
Beta	0.90	1.40

Variance of returns on the market index is $225(\%)^2$. The correlation coefficient between the returns on securities A and B is 0.75. Two securities have equal proportions. Find out Systematic risk of the portfolio.

Q.5 Answer the following Questions.

(2*7=14)

1. Explain Gambling with examples.
2. If the risk-free rate of return, market return and the required rate of return by investor are 8%, 15%, 18% respectively, find the beta of the corresponding security.
3. Name any two name of Non-Financial Parameter for Financial Indicators.
4. Explain Systematic Risk.
5. Write Disadvantages of Price/Earnings Ratio.
6. If the expected rate of return on the stock on Natco Ltd. is 23% p.a. and the required rate of return as per the ex-ante SML is 25% p.a., find the alpha of the stock of Natco Ltd.
7. Explain Portfolio Management.

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