



17/12/2015

DOON UNIVERSITY, DEHRADUN

Semester Final Examination, Second Semester, 2015

School of Management

MBA 2 years (3rd Semester)

Course: MMS – 523: Security analysis portfolio management

Time Allowed: 3 Hours

Maximum Marks: 50

Note: Attempt All Questions from Sections A,B,C.

SECTION : A)

(Marks: 20)

What is the optimum portfolio in choosing among the following securities and assuming $R_f=5\%$ and $\sigma_m^2=10\%$?

SECURITY	EXPECTED RETURN	BETA	σ_{ei}^2
A	15	1	30
B	12	1.5	20
C	11	2	40
D	8	0.8	10
E	9	1.0	20
F	14	1.5	10

SECTION : B) Attempt any four Questions.

(Marks: 2.5x 4=10)

1. Jensen's model.
2. Efficient Market hypothesis.
3. Different strategies for Bond Management.
4. APT.
5. Difference between future, forward and option contract.
6. Classification of Industry.

SECTION : C) Attempt all Questions.

Refer to the following information on joint stock returns for stock 1, 2, and 3 in the table

Probability	Return for stock		
	Stock 1	Stock 2	Stock 3
.20	.20	.25	.10
.30	-0.05	.10	.05
.25	.10	.05	0
.25	0	-0.10	-0.05

Risk tolerance of a investor is 50%.

1. Choose the best portfolio if only two securities to be considered in the portfolio. (Marks: 15)

2. Find the utility of the portfolios choose above.

(Marks: 5)

or,

1. Capital market theory and the CAPM are based on certain specific assumptions, and the CAPM suggests rather specific things about asset pricing. (Marks: 10)

a) What are the basic assumptions underlying capital market theory?

b) What happens to the CML and the choice of an optimum portfolio if the borrowing rate is allowed to exceed the lending rate?

2. IF you were a junior security analyst in a conservative research department. How might you try to convince management to experiment with more modern technique of company analysis? (Marks: 10)