| Roll No. | | | | | | | | | | | | |
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# PRESIDENCY UNIVERSITY

**BENGALURU**

## Mid - Term Examinations – October 2025

**Date:** 07-10-2025 **Time:** 11.45am to 01.15pm

| **School:** SOC/SOM-UG | **Program:** BBA | |
|---|---|---|
| **Course Code:** BFI3001 | **Course Name:** Security Analysis and Portfolio Management | |
| **Semester**: V | **Max Marks**:50 | **Weightage**:25% |

| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
|---|---|---|---|---|---|
| **Marks** | **26** | **24** | **-** | **-** | **-** |

**Instructions:**

*(i) Read all questions carefully and answer accordingly.*

*(ii) Do not write anything on the question paper other than roll number.*

## Part A

**Answer ALL the Questions. Each question carries 2 marks.** **5Q x 2M=10M**

| | | | | |
|---|---|---|---|---|
| **1** | Define Systematic Risk and explain its impact on investment decisions. | **2 Marks** | **L2** | **CO1** |
| **2** | State the difference between a trader and an investor | **2 Marks** | **L1** | **CO1** |
| **3** | Calculate the returns of the stock<br>Purchase price – Rs 800<br>Selling price – Rs 750<br>Dividend paid – Rs 20 | **2 Marks** | **L3** | **CO1** |
| **4** | Mention any two methods of equity valuation. | **2 Marks** | **L1** | **CO2** |
| **5** | State the formula for YTM of a bond as per the trial and error method. | **2 Marks** | **L1** | **CO2** |

## Part B

**Answer ALL the Questions. Each question carries 10 marks.** **4Q x 10M=40M**

| | | | | |
|---|---|---|---|---|
| **6.** | The returns of securities P and Q are given below: Give the security of your preference based on risk and return.<br>**Probability** / **Security P** / **Security Q**<br>**0.5** / **8** / **7** | **10 Marks** | **L3** | **CO 1** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | **0.4** | **6** | **5** | | | | | | |
| | **0.1** | **5** | **3** | | | | | | |
| | **Or** | | | | | | | | |
| **7.** | A stock costing Rs 120 pays no dividend. The possible prices of the stock at the end of the year and their probabilities are given below: Find the expected return and the standard deviation of the returns. | | | | | | | **10 Marks** | **L3** | **CO 1** |
| | **Probability** | 0.1 | 0.1 | 0.2 | 0.3 | 0.2 | 0.1 | | | |
| | **Price** | 115 | 120 | 125 | 130 | 135 | 140 | | | |
| **8.** | The Current dividend on an equity share of R INFRA Ltd. is Rs. 2.00. The company is expected to enjoy an above-normal growth rate of 20% for a period of 6 years. Thereafter, the growth rate will fall and stabilize at 10%. Equity investors require a return of 15%. What is the intrinsic value of the R INFRA equity share? | | | | | | | **10 Marks** | **L3** | **CO 2** |
| | **Or** | | | | | | | | | |
| **9.** | The equity stock of Nazara Ltd. Is currently selling for Rs.40.00 per share. The dividend expected next year is Rs. 1.00. The investor's required rate of return on this stock is 20%. If constant growth model applies to Nazara Ltd. What is the expected growth rate? | | | | | | | **10 Marks** | **L3** | **CO 2** |
| **10.** | Consider two Auto stocks, MRF Ltd. and Leyland Ltd. The return provided by the MRF Ltd. and Leyland Ltd stocks with certain probabilities associated with them, based on the state of the economy are tabulated as follows: Based on the probability distribution of the rate of return, compute the expected rate of return and the standard deviation of rate of return for both the stocks. | | | | | | | **10 Marks** | **L3** | **CO 1** |
| | | | **RATE OF RETURN (%)** | | | | | | |
| | | **PROBABILITY OF OCCURANCE** | **MRF LTD.** | **LEYLAND LTD.** | | | | | |
| | **BOOM** | **0.30** | **16** | **40** | | | | | |
| | **NORMAL** | **0.50** | **11** | **10** | | | | | |
| | **RECESSION** | **0.20** | **6** | **-20** | | | | | |
| | **Or** | | | | | | | | | |
| **11.** | An investors has analysed a share for a one year holding period. The share is currently for Rs 43 but pays no dividend and there is a fifty-fifty chance that the share will sell for either Rs 55 or Rs 60 by the year end. What is the expected return and risk if 250 shares are acquired with 80 percent borrowed funds? Assume the cost of borrowed funds to be 12% (ignore commission and taxes) | | | | | | | **10 Marks** | **L3** | **CO 1** |

| | | | | |
|---|---|---|---|---|
| **12.** | Consider a Rs.2000 par value bond, carrying a coupon rate of nine percent, and maturing after 9 years. The bond is currently selling for RS. 600.<br>•What is the YTM of the bond according to trial and error procedure ?<br>•What is the YTM of the bond according to approximation approach ? | **10 Marks** | **L3** | **CO 2** |
| | **Or** | | | |
| **13.** | Consider a Rs.2500 par value bond, carrying a coupon rate of nine percent, and maturing after **10** years. The bond is currently selling for RS. **9**00.<br>•What is the YTM of the bond according to trial and error procedure ?<br>•What is the YTM of the bond according to approximation approach ? | **10 Marks** | **L3** | **CO 2** |