

Roll No



**PRESIDENCY UNIVERSITY
BENGALURU**

SET A

**SCHOOL OF MANAGEMENT
END TERM EXAMINATION - JAN 2024**

Semester : Semester V - 2021

Course Code : BBA3001

Course Name : Security Analysis and Portfolio Management

Program : BBA

Date : 09-JAN-2024

Time : 1:00 PM - 4:00 PM

Max Marks : 100

Weightage : 50%

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

PART A

ANSWER ALL THE QUESTIONS

5 X 2M = 10M

1. What is the meaning of portfolio?
(CO1) [Knowledge]
2. Do equities have a coupon rate? Why?
(CO2) [Knowledge]
3. Give the meaning of industry life cycle.
(CO3) [Knowledge]
4. Mention efficient frontier in the context of portfolio selection.
(CO4) [Knowledge]
5. Explain portfolio evaluation.
(CO5) [Knowledge]

PART B

ANSWER ALL THE QUESTIONS

5 X 10M = 50M

6. A share is currently selling for ₹65 and is expected to pay a dividend of ₹2.50 on the share at the end of the year. It is reliably estimated that the share will sell for ₹78 at the end of the year.
 1. Assuming that the dividend and price forecasts are accurate, would you buy the share to hold it for one year, if your required rate of return was 12 percent?
 2. Given the current price of ₹65 and the expected dividend of ₹2.50, what would the price have to be at the end of one year to justify the purchase today, if your required rate of return was 15 percent.
(CO2) [Comprehension]

7. "The stock market does not move on random basis but is influenced by three distinct cyclical trends that guide its direction." Elucidate the hypothesis formulated by Charles Dow to identify price movements.

(CO3) [Comprehension]

8. Calculate the 5-Day simple moving average of the following shares:

Day	Closing Price of Stock A (₹)	Closing Price of Stock B (₹)
1	50	110
2	55	115
3	58	117
4	57	118
5	52	119
6	50	112
7	55	108
8	58	107
9	60	105
10	64	104

(CO3) [Comprehension]

9. "CAPM postulates the nature of relationship between the expected return and systematic risk of a security." Explain.

(CO4) [Comprehension]

10. Give the meaning of Risk adjusted returns? Evaluate the following portfolios using Sharpe and Treynor Ratio:

Portfolio	Return (%)	Standard Deviation (%)	Beta
A	15	18	0.7
B	22	25	1.5
M (Market Index)	18	20	1.2

The risk-free rate of return is 7 percent.

(CO5) [Comprehension]

PART C

ANSWER ALL THE QUESTIONS

2 X 20M = 40M

11. "The capital market provides an efficient and transparent market for trading in securities and upholds the interests of the investors and ensures redressal of their grievances". Give a detailed overview of the capital market structure in India.

(CO1) [Application]

12. The following information is taken from the records of Sugar Ltd. and Salt Ltd. both in the same industry:

Particulars	Sugar Ltd (₹ in crores)	Salt Ltd (₹ in crores)
Cash	2	3
Sundry Debtors	3	7
Stock	12	10
Plant and Machinery	18	23
Total Assets	35	43
Sundry Creditors	9	10
15% Debentures	5	10
Equity Capital	11	18
Reserves and Surplus	10	5
Total Liabilities	35	43
Sales	60	85
Cost of goods sold	40	65
Other operating expenses	8	10
Interest expenses	0.60	1.20
Income tax	3.40	3.80
Dividend	1.00	2.00

Analyse the fundamentals of both the companies using appropriate tools and answer the following with reasons.

- Which company is using the shareholders' money more profitably?
- Which company is better able to meet its current debt?
- If you want to purchase the debentures of one company which company's debentures would you buy?
- Which company collects its receivable faster assuming all sales are on credit basis?
- Which company retains the larger proportion of income in the business?

(CO3) [Application]