

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306
POST GRADUATE DIPLOMA IN MANAGEMENT (2021-23)
END TERM EXAMINATION (TERM - III)

Subject Name: **Security Analysis and Portfolio Management**

Time: **02.30 hrs**

Sub. Code: **PGF-32**

Max Marks: **40**

Note:

All questions are compulsory. Section A carries 5 marks: 5 questions of 1 marks each, Section B carries 21 marks having 3 questions (with internal choice question in each) of 7 marks each and Section C carries 14 marks one Case Study having 2 questions of 7 marks each.

SECTION – A

Attempt all questions. All questions are compulsory.

1×5 = 5 Marks

Q. 1: (A). What is the risk involved in equity investment?

Q. 1: (B). Who are the main participants of new issue markets and how do they help the company to issue their share in primary market?

Q. 1: (C). How callable bond is different from Puttable bond?

Q. 1: (D). What do you think are the advantages of convertible bonds?

Q. 1: (E). With no periodic coupon payment available how do you think the investor gets the desired return in case of zero-coupon bonds?

SECTION - B

All questions are compulsory (Each question have an internal choice. Attempt any one (either A or B) from the internal choice)

7 x 3 = 21 Marks

Q. 2 (A)-:

- i) Illustrate a profit-making example for (a) market order to buy a stock with stop loss and (b) short sell a stock with stop loss.
- ii) Constanza energy is an oil company with average risk. The average industry P/E ratio for oil companies is 15. If Constanza has earnings per share of \$0.90, what would be a fair price for its stock?

Or

Q. 2 (B)

- i) A corporate bond of par value Rs.1000 has a coupon of 09 percent per annum paid semiannually with maturity period of six years. What will be the value of the bond, if the required rate of return is 06 percent per half year?
- ii) What would you expect to be the characteristics of a firm with a price-book value (P/BV) ratio of 0.6?

Q. 3 (A)- Show how Support and Resistance can be used as technical chart indicators to determine whether to buy or sell stocks.

Or

Q. 3 (B)-: Discuss key macroeconomic variables and their impact on Indian Stock market.

Q. 4 (A) : Consider following information for three mutual funds, A, B and C and the market. The mean risk free rate was 10 %. **Calculate the Treynor measure, Sharp measure, and Jensen measure for the three mutual funds and the market index.**

Mutual funds	Mean Return (%)	Standard Deviation (%)	Beta
A	15	20	0.9
B	17	24	1.1
C	19	27	1.2
Market Index	16	20	1.0

Or

Q-4 (B): How Active Portfolio Management is different from passive Portfolio Management? Explain with suitable examples.

SECTION – C

Read the case and answer the questions.

7×02 = 14 Marks

Q. 5: Case Study:

You have been employed as a financial planner by Acme Investments, which, inter alia, advises clients on their investments.

- A) You have been assigned the task of developing an appropriate asset mix for three clients, Mahesh, Praveen, and Deepika. Given the rationale for the asset mix.
- B) Which different type of Securities you will include in each of the asset mix separately for Mahesh, Praveen, and Deepika.?

Mahesh: A Retiree with Modest Means Mahesh retired recently from government service. He owns an apartment where he lives with his wife who is a homemaker. Mahesh received of Rs 28 lakh from provident fund, gratuity, and so on from his employer at the time of retirement. In addition he has other savings of Rs 4 lakh. Mahesh is entitled to a pension income of about Rs 150,000 per year which will probably move in line with inflation over time. Mahesh's primary investment goal is to generate an additional income of at least Rs 150,000 per year to meet his living expenses. In addition, he would like to prevent erosion of his capital as he and his wife do not have the ability to earn income outside their portfolio. Finally, he wants to increase his wealth to some extent.

Praveen: A Young Executive with a Promising Future Praveen is an ambitious twenty five year old who graduated recently from a prestigious business school. He is working as a credit officer in a multinational bank drawing a handsome salary. Praveen expects his earnings to rise substantially over time as his career advances. Praveen recently inherited a legacy of Rs 2,000,000 from his grandfather's estate. Praveen wants to build a sizeable portfolio' in the next twenty years or so to achieve financial freedom to retire early and pursue other interest in life or even start a venture of his own.

Deepika: A Handicapped Millionaire Deepika is an unmarried 19-year old girl who recently met with a crippling accident that has created a life-long disability-it also forced her to abandon her studies mid-way. Deepika inherited Rs 6,000,000 from her father's estate-this is her only financial asset. Deepika plans to stay alone in an owned or rented apartment with a live-in maid and work as a volunteer for the 'Home for the Disabled' to spend her time gainfully. Apart from rent, Deepika expects her living expenses to be about Rs 240,000 a year. Of course they are expected to increase over time in the wake of inflation. If Deepika buys an apartment for her use it will cost her Rs 36,00,000. Otherwise, she will have to pay a rent of about Rs 150,000 per year which will be periodically revised upwards. Deepika attaches almost equal importance to current income as well as growth in income to protect her from the ravages of inflation (which may be 5 percent per year).

Question Number	COs	Bloom's taxonomy level	Marks Allocated
1	CO-1		5 marks
2	CO-3		7 marks
3	CO-3		7 marks
4	CO-2		7 marks
5	CO-4		14 marks