

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2015-17) (Finance)**  
**Fifth Trimester Examination December 2016**

<b>Subject</b>	<b>Security Analysis &amp; Portfolio Management</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>28/12/2016</b>

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

The investment portfolio of the bank is as follows

Government Bond	Coupon Rate	Purchase Rate (FV-100)	Duration(Years)
GOI 2006	11.68	106.50	3.50
GOI-2010	7.55	105.00	6.50
GOI-2015	7.38	105.00	7.50
GOI-2022	8.35	110.00	8.75
GOI-2032	7.95	101.00	13.00

Face Value of total investment in each government bond is 5 crs

Calculate actual investment in the portfolio

What is the suitable action to churn out investment portfolio in the following scenario?

- Interest rate is expected to be lower by 25 basis point.
- Interest is expected to be increased by 75 basis point.

Also calculate the revised duration of investment portfolio in each scenario.

**Q2 Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

(a) Which is better parameter to evaluate performance a stock (Give Justification for your answer?)

(i) P/E ratio (ii) Cash Flow (iii) Free Cash flow (iv) All of them

(b) What is systematic risk and unsystematic risk (explain with examples)

(c) Q1. Find out V4 as per Gordon growth formula- D-20, D2-40, D3 -50, D4 onwards growth @10% , ke – 20%

**Q3. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

(a) Name and explain 5 pricing anomalies?

(b) If book my show has 100 registered user and its valuation comes to 600 mn, what would be the valuation of company into same business (Insider) with 500 registered user. Explain what is relative valuation?

(c) What is the difference between SML and CML?

**Q4. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

(a) What re the forms of Efficient Market Hypothesis?

(b) Par value 1000, coupon interest Rate -10%, number of years to maturity -10years, required rate of return -8%, what is the fair value of the bond?

(c) What is January effect while investing in stock markets?

**Q5. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

Following is the data regarding six securities

Securities	A	B	C	D	E	F
Returns %	8	8	12	4	9	8
Risk (SD)	4	5	12	4	5	6

- (a). Which security will be selected for investment.
- (b) Assuming a perfect correlation, whether it is preferable to invest, 75% in security A and 25% in security B.
- (c) Which other combination of % in each security can be applied to get higher returns.

**Q6. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- (a) Dividend at time 0 – 20,  $k_e$  10%  $g$ -5 % , what will be the value of stock.
- (b) If stock price of Apple Inc is \$ 109.65 and intrinsic value is 130 then should you invest in Apple? Give justification
- (c) What are the various avenues for investments in India?

**Q7. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

Securities	U	V	W	X	Y	Z
Returns %	10	10	15	5	11	10
Risk (SD)	5	6	13	5	6	7

- (a). Which security will be selected for investment.
- (b) Assuming a perfect correlation, whether it is preferable to invest , 80% in security U and 20% in security W or 100% in Y.
- (c) Explain the CAPM model in detail?