GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR

Course: Security Analysis and Investment Management
Semester-III (Batch: 2018-20)

MBA End Semester Examination: November-2019

Date: 06th November, 2019
Duration: 3 hours **Max. Marks: 60**

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- Use of scientific calculator is permitted.

Marks

Q.1 Answer the following questions (**any three**): (3x8 =24)

(a) Distinguish between active revision strategy and passive revision strategy of portfolio revision. Discuss the major constraints in portfolio revision process.

(b) *There is an important relationship between interest rate and margin trading in the context of investment management.* Do you agree with the statement? Justify your answer with suitable examples.

(c) Discuss risk – return relationship in portfolio theory. Explain different types of risks involved in portfolio management.

(d) Differentiate between CML and SML. Explain application of both in portfolio management.

Q.2 Write short note on the following (**any three**): (3x5 =15)

(a) Sharpe Ratio & P/E Ratio

(b) Technical analysis

(c) Efficient Market Hypothesis

(d) Elliot wave theory

Q.3 Differentiate between Investment and Speculation. Discuss various types of investment avenues based on investor's risk appetite and demographic profile. (08)

Q.4 For the given data, calculate (a) Cumulative Wealth Index (b) Arithmetic Mean and (c) Geometric Mean. (1+1+ 2=04)

Year	Return (%)
1	0.03
2	0.05
3	0.06
4	-0.05
5	0.10

Q.5 The estimated rates of return, beta coefficients and standard deviations of six different securities are given below: (06)

Security	Estimated return (%)	Standard deviation (%)	Beta
A	35	50	1.6
B	28	40	1.4
C	21	30	1.10
D	18	25	0.90
E	15	20	0.75
F	12	18	0.60
Market return	20	15	1.0
Govt. security	8	0	0

Based on the security market line concept, determine which of the securities listed above are underpriced?

Q.6 An investor purchases a zero coupon bond for Rs. 4000 whose face value is Rs. 6000 and maturity period is 3 years. Find the spot interest rate of the bond. (03)

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