

**Avinashilingam Institute for Home Science and Higher Education for Women  
(Deemed to be University) Coimbatore**

**Master's Degree Examination – November 2018**

**III Semester**

**Class: II PG**

**Major : MBA/MBA IT**

**Max Marks: 60**

**Time : 3 Hours**

**17MBAC20F/17MBMC20F Investment and Security Analysis**

**Part – A**

**(10 x 1/2 = 5 Marks)**

**Choose the correct Answer**

1. \_\_\_\_\_ one of the following is money market instrument.  
a) Equity Share                      b) Preference share                      c) Commercial Paper                      d) none of these
2. Mutual fund Investors can enter and exit in \_\_\_\_\_ at any time.  
a) Open-end schemes                      b) Closed-end schemes  
c) Fixed Maturity Plan                      d) Interval Fund
3. One of the most popular tools used by technical analysts is \_\_\_\_\_.  
a) P/E ratio                      b) book-to-market-value ratio                      c) moving averages                      d) growth rate of dividends
4. According to the Dow Theory, daily fluctuations and secondary movements in the stock market are used to identify the \_\_\_\_\_.  
a) Short-term trend                      b) primary trend.                      c) Intermediate trend                      d) seasonal pattern.
5. \_\_\_\_\_ is the measure that describes the risk of an investment project relative to other investments in general  
a) Beta coefficient                      b) Coefficient of variation                      c) Standard deviation                      d) Expected return
6. Risk in average individual stock can be reduced by placing an individual stock in  
a) low risk portfolio                      b) diversified portfolio                      c) undiversified portfolio                      d) high risk portfolio
7. Using futures contracts to transfer price risk is called \_\_\_\_\_.  
a) hedging.                      b) arbitrage.                      c) speculating.                      d) diversifying.
8. \_\_\_\_\_ has the right to sell an asset at a predetermined price.  
a) A call buyer.                      b) A put buyer.                      c) A put writer.                      d) A call writer.
9. More instability in currency is called as \_\_\_\_\_.  
a) country risk                      b) financial risk                      c) currency risk                      d) liquidity risk
10. Differences in nominal interest rates are removed in exchange rate is \_\_\_\_\_.  
a) fisher effect                      b) Leontief paradox                      c) combined equilibrium theory                      d) purchasing power parity

**Part – B**

**(5 x 4 = 20 Marks)**

**Answer ALL questions**

**Each answer should not exceed 200 words or one page**

11. a) What is investment ? Write its features?

(Or)

b) Write a note on primary market.

12. a) What is Beta value of an investment? How to calculate it ?

(Or)

b) How to calculate intrinsic value of an investment?

13. a) What do you mean by portfolio ? List the features of portfolio.

(Or)

b) i) An investor 'A' purchased a bond at a price of Rs. 900 with Rs. 100 as coupon payment and sold it at Rs. 1,000. What is his holding period return.

ii) If the bond is sold for Rs. 750 after receiving Rs. 100 as coupon payment , then what is the holding period return.

14. a) Write a note on futures.

(Or)

b) What is hedging?

15. a) Brief about Warrants.

(Or)

b) Explain about Eurobonds.

**Part – C**

**(5 x 7 = 35 Marks)**

**Answer ALL questions**

**Each answer should not exceed 600 words or three pages**

*Q. no. 20 is compulsory*

16. a) Explain the functions of SEBI.

(Or)

b) Describe the various methods to measure investment risks.

17. a) Explain the different market indicators in detail.

(Or)

b) Discuss about the efficient market hypothesis.

18. a) Describe the markowitz model and efficient frontier model of portfolio theories.

(Or)

b) Explain the various methods for evaluating the performance of a portfolio.

19. a) Explain in detail about the index futures and options

(Or)

b) Stocks A and B have yielded the following returns for the past two years

Years	Return %	
	L	M
2015	12	14
2016	18	12

- What is the expected return on portfolio made up of 60 percent of L and 40 percent of M?
- Find out the standard deviation of each stock.
- What is the covariance and co-efficient of correlation between stock L and M
- What is the portfolio risk of a portfolio made up of 60 percent of L and 40 percent of M.

## 20. Compulsory

The following three portfolios provide the particulars given below

Portfolio	Average Annual Return	Standard Deviation	Correlation Co-efficient
A	18	27	0.8
B	14	18	0.6
C	15	8	0.9
Market	13	12	-

Risk free rate of interest is 9 %

- Rank these portfolios using Sharpe's and Treynor's methods
- Compare both the indices