



# INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)  
Dundigal, Hyderabad-500043

## MASTER OF BUSINESS ADMINISTRATION

### TUTORIAL QUESTION BANK

<b>Course Title</b>	<b>SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT</b>				
<b>Course Code</b>	CMBB34				
<b>Programme</b>	MBA				
<b>Semester</b>	III				
<b>Course Type</b>	<b>PROFESSIONAL ELECTIVE-I</b>				
<b>Regulation</b>	<b>IARE - R18</b>				
<b>Course Structure</b>	<b>Theory</b>			<b>Practical</b>	
	<b>Lectures</b>	<b>Tutorials</b>	<b>Credits</b>	<b>Laboratory</b>	<b>Credits</b>
	4	-	4	-	-
<b>Chief Coordinator</b>	Ms. B Tulasi Bai, Assistant Professor				
<b>Course Faculty</b>	Ms. B Tulasi Bai, Assistant Professor				

### COURSE OBJECTIVES:

<b>The course should enable the students to:</b>	
I	Enrich the knowledge of investment alternatives, process and portfolio management.
II	Develop an understanding of the changing domestic and global investment scenario in general and Indian capital market in particular with reference to availability of various financial products and operations of stock exchanges.
III	Provide an in-depth knowledge of the theory and practice of portfolio management. Important theories, techniques, regulations and certain advancements in theory of investment
IV	Familiarize the participants with the stock markets of India, its terminology, types of securities, the determinants of the price behavior of securities, evaluation of fair price, and to provide a conceptual insight to the valuation of securities

### COURSE OUTCOMES (COs)::

CMBB34.01	Understand the investment environment in India, overview of Indian financial system securities.
CMBB34.02	Explain the investment management process and security analysis.
CMBB34.03	Recognize the significance of risk and return relationship from investing Markowitz portfolio theory.
CMBB34.04	Know the risk and returns from investing Markowitz portfolio theory and portfolio selection.
CMBB34.05	Analyze different types of bonds, interest rates, term structure of interest rates and measuring bond yields.

CMBB34.06	Demonstrate bond pricing theorems, bond duration, and active and passive bond management strategies.
CMBB34.07	Examine the concepts of equity analysis, equity valuation, and balance sheet analysis.
CMBB34.08	Identify the overview of derivative markets, option markets, strategies, forward and future marketing strategies and design swaps.
CMBB34.09	Recognize different types of mutual fund schemes, structure, net asset value, risk and return
CMBB34.10	Improve performance evaluation models like Sharpe model, trey nor model, Jensen model, fame's decomposition.

## TUTORIAL QUESTION BANK

UNIT- I			
INVESTMENT AND SECURITY ANALYSIS			
Part - A (Short Answer Questions)			
S No	QUESTIONS	Blooms Taxonomy Level	Course Outcomes (COs)
1	Define investment management.	Remember	CMBB34.01
2	Briefly explain the objectives of investment management?	Understand	CMBB34.01
3	Write a short note on types of investments?	Remember	CMBB34.02
4	Write the use of financial instruments in investment management?	Remember	CMBB34.02
5	What is finance referred to as “Life blood of an organization”? What is its relevance?	Remember	CMBB34.01
6	What do you mean by investment media?	Remember	CMBB34.02
7	What are the limitations of investment management?	Remember	CMBB34.01
8	Distinguish between investment and speculation?	Remember	CMBB34.01
9	Write about factors which help to reduce risk in gambling?	Remember	CMBB34.01
10	What is gambling? How does it differ from investment?	Remember	CMBB34.02
11	What is the difference between unique risk and market risk?	Remember	CMBB34.02
12	Distinguish between present value and future value.	Remember	CMBB34.02
13	How securities are traded?	Understand	CMBB34.01
14	What are the types of orders in securities trading?	Understand	CMBB34.01
15	State the objective of the wealth maximization?	Remember	CMBB34.01
16	Distinguish between open outcry system and screen based system in Trading	Understand	CMBB34.01
17	Explain the procedure for selling of shares.	Understand	CMBB34.01
18	What is listing of shares? Describe the advantages provided for listing in stock exchanges?	Remember	CMBB34.02
19	What are the different kinds of brokers operating in the stock exchange?	Understand	CMBB34.02
20	Write a note on i) Bull ii) Bear iii) Stag	Remember	CMBB34.02
Part - B (Long Answer Questions)			
1	Compare and contrast investment, speculation and gambling.	Understand	CMBB34.01
2	Define Investment state the objective of investment ?	Understand	CMBB34.01
3	Explain the procedure for calculating the present value of, a) Regular annuity b) Annuity due c) Deferred annuity.	Understand	CMBB34.02
4	Discuss various investment avenues/alternatives available to Indian investors in financial marketing?	Understand	CMBB34.02
5	What are the steps involved in the investment process? Explain each of them briefly?	Understand	CMBB34.01
6	Define investment environment? Discuss the main elements of investment environment	Understand	CMBB34.02
7	Explain the concept of risk-return trade off. What are the decisions involved in risk return trade-off?	Understand	CMBB34.01
8	Write in detail about the various goals of investment management?	Understand	CMBB34.01
9	What are the two ways of organizing the trading activity in securities trading?	Understand	CMBB34.01
10	What do you mean by trading order? Explain the various types of orders in security trading.	Understand	CMBB34.02
11	Examine the recent trends in securities market? Write a brief note on trading in securities	Understand	CMBB34.02
12	Explain the mean-variance approach to estimation of return and risk of a security.	Understand	CMBB34.02
13	Define Investment. Describe briefly the important investment avenues available to savers in India.	Understand	CMBB34.01

14	What are the major sources of information to fundamental analysis?	Understand	CMBB34.01
15	What are the stages in trading and settlements of business transactions in Stock Exchange?	Understand	CMBB34.01
16	What do you mean by securities market? Classify security markets in details	Understand	CMBB34.01
17	Explain recent trends in security market	Understand	CMBB34.01
18	What are different types of orders? Give A brief note on types of orders?	Understand	CMBB34.02
19	What are different types of transaction code?	Understand	CMBB34.02
20	Discuss in detail about margin trading with illustration	Understand	CMBB34.02

**Part - C (Problem Solving and Critical Thinking Questions)**

1	Explain the economic and financial meaning of Investment and differentiate investor from speculator.	Understand	CMBB34.01																
2	a) The investment process involves a series of activities starting from the policy formulation Discuss. b) Define risk and distinguish between systematic and unsystematic risk.	Understand	CMBB34.01																
3	You have \$100 dollars and want to invest... You went to the bank and ask where to invest your money???	Understand	CMBB34.02																
	Then the bank employee says that																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">State of economy</th> <th style="width: 25%;">Probability</th> <th style="width: 25%;">Return A</th> <th style="width: 25%;">Return B</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Good</td> <td style="text-align: center;">45%</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">16%</td> </tr> <tr> <td style="text-align: center;">Average</td> <td style="text-align: center;">40%</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">9%</td> </tr> <tr> <td style="text-align: center;">Bad</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">-11%</td> <td style="text-align: center;">-13%</td> </tr> </tbody> </table>			State of economy	Probability	Return A	Return B	Good	45%	15%	16%	Average	40%	8%	9%	Bad	15%	-11%	-13%
	State of economy			Probability	Return A	Return B													
	Good			45%	15%	16%													
Average	40%	8%	9%																
Bad	15%	-11%	-13%																
4	John invested a certain amount of money at a 10% interest rate and \$2000 more than that at a 12% interest rate. His total yearly interest earned is \$1340. How much money did he invest at each rate?	Understand	CMBB34.02																
5	Matt is saving for a new car, he invest \$5000 into an account that pays 3% in a year and is compound monthly . How much will he have after 5 years	Understand	CMBB34.01																
6	Danny invested \$11,000. Part of his money is invested in bonds which yield 8% and the remainder is invested in bonds which yield 10%. His total annual income from these bonds is \$1,020. Find the amount he has invested in each kind of bond	Understand	CMBB34.02																
7	A chemist has one solution that is 14% salt and another solution which is 18% salt. How many ounces of each must be used to produce 60 ounces that is 15% salt?	Understand	CMBB34.01																
8	You have \$50,000 to invest, and two funds that you'd like to invest in. The You-Risk-It Fund (Fund X) yields 6% interest. The Extra-Dull Fund (FundY) yields 14% interest. Because of college financial-aid implications, you don't think you can afford to earn more than \$4,500 in interest income this year. How much should you put in each fund?	Understand	CMBB34.01																
9	The manager of a mutual fund placed 30% of the fund's available cash in a 6% simple interest account, 25% in 8% corporate bonds, and the remainder in a money market fund that earns 7.5% annual simple interest. The total annual interest from the investments was \$35,875. What was the total amount invested?	Understand	CMBB34.01																
10	Discuss in brief about dow theory?	Understand	CMBB34.02																

**UNIT -II**

**PORTFOLIO ANALYSIS**

**Part – A (Short Answer Questions)**

1	Define risk. Explain how diversification influences risk.	Remember	CMBB34.03
2	What are the objectives of security analysis?	Understand	CMBB34.03
3	Define the concept of security analysis. What are the different types of securities?	Remember	CMBB34.04
4	Write one difference between Capital asset Pricing model(CAPM) and arbitrage pricing theory(APT)	Remember	CMBB34.03
5	Define risk. Explain different types of risks.	Remember	CMBB34.04
6	How do you analyze securities?	Remember	CMBB34.03
7	Discuss the process of fundamental analysis.	Remember	CMBB34.04
8	What is the objective of fundamental analysis	Understand	CMBB34.03
9	What is minimum variance Portfolio?.	Remember	CMBB34.03
10	What is price earnings ratio? Explain with a simple example.	Understand	CMBB34.03

11	Explain optimal Portfolio and efficient frontier.	Understand	CMBB34.04
12	What is the formula for calculating arbitrage pricing line for one risk factors?	Remember	CMBB34.04
13	What is economic analysis in security analysis?	Remember	CMBB34.03
14	What do you understand by industry analysis? What is its significance?	Understand	CMBB34.03
15	Write the importance of company analysis.	Remember	CMBB34.03
16	Write the merits and demerits of Economic Value Added.	Understand	CMBB34.03
17	Explain the differences between fundamental and technical analysis.	Remember	CMBB34.03
18	What do you mean by Capital Market Line(CML)?	Remember	CMBB34.03
19	What are the types of charts in Technical analysis?	Understand	CMBB34.03
20	How Efficient market hypothesis is used in Security analysis?	Remember	CMBB34.03

### Part - B (Long Answer Questions)

1	What are the various steps involved in investment decision process?	Understand	CMBB34.03
2	What is fundamental analysis? What are the objectives and believes of it?	Understand	CMBB34.03
3	What are the types of securities? Write a brief note on securities	Understand	CMBB34.04
4	Define security analysis. What are the objectives of security analysis?	Understand	CMBB34.03
5	What is Markowitz model? Explain its assumptions and limitations	Understand	CMBB34.04
6	The expected return on security is 18%. The return on the market is 15%. If risk free return is 8% Calculate Beta of the security	Understand	CMBB34.03
7	What is dividend? Discuss dividend concept in valuation of equity shares.	Understand	CMBB34.04
8	Discuss the concept of portfolio and portfolio management. Explain various steps involved in the process of portfolio management	Understand	CMBB34.03
9	How do you explain expected return of security using arbitrage pricing theory	Understand	CMBB34.03
10	What are similarities and differences between CAPM and APT.	Understand	CMBB34.03
11	Write the importance of company analysis. Write the merits and demerits of Economic Value Added	Understand	CMBB34.04
12	What do you mean by Capital Market Line (CML)? What are the types of charts in Technical analysis?	Understand	CMBB34.04
13	Discuss the process of fundamental analysis. What is the objective of fundamental analysis	Understand	CMBB34.03
14	Explain optimal Portfolio and efficient frontier. What is the formula for calculating arbitrage pricing line for one risk factors?	Understand	CMBB34.03
15	Define risk. Explain how diversification influences risk? What is the formula for calculating arbitrage pricing line for one risk factors?	Understand	CMBB34.03
16	How do you analyze securities? Discuss the process of fundamental analysis. What is the objective of fundamental analysis	Understand	CMBB34.03
17	Define Capital Asset Pricing Model? Explain the assumptions	Understand	CMBB34.03
18	Write A brief note on Sharpe's Single Index Model	Understand	CMBB34.03
19	a) Explain the concept of risk and return in detail b) Discuss the concept of portfolio and portfolio management, Explain the various steps involves in the process of portfolio management	Understand	CMBB34.03
20	Explain the uses of security market indexes? State the problems in constructing security market index	Understand	CMBB34.03

### Part - C (Problem Solving and Critical Thinking Questions)

1	Do you think that knowing the current status of economy is useful in analyzing stock market movements?.	Understand	CMBB34.03
2	Following Data relates to two securities I and j If $p(I,j)$ is -0.5 and the portfolio of the investment 28% and 72% in I and j Securities find out (a) Return on Portfolio (b) Risk on Portfolio	Understand	CMBB34.03
3	What is the expected return on a stock with a beta of 0.8, given a risk free rate of 3.5% and an expected market return of 15.5%?.	Understand	CMBB34.04

4	If the risk free return is 10% and the expected return on BSE is 18% and the risk measurement by S D is 5% How do you construct an efficient portfolio to produce a 16% expected return and what would be the risk				Understand	CMBB34.03	
5	Explain CAPM Model with its Concept, Application and Assumptions?				Understand	CMBB34.04	
6	An investor buys a bond in 1978, maturity in 1980 at Rs 900 it has a maturity value of 10 years and par value of Rs 1000 its fetches Rs 90 every year. Calculate Yield				Understand	CMBB34.03	
7	Assume yourself as portfolio manager and with the help of the following details, find out the securities that are overpriced and underpriced in terms of SML				Understand	CMBB34.04	
	Security	Expected Return	Beta	Alpha			
	A	0.33	1.70	0.50			
	B	0.13	1.40	0.35			
	C	0.26	1.10	0.40			
	D	0.12	0.95	0.24			
	E	0.21	1.05	0.28			
	F	0.14	0.70	0.18			
	Nifty Index	0.13	1.00	0.20			
8	Two securities X and Y have the following data returns on X and Y are 17% and 23% standard deviation of X and Y are 12% and 18%. Determine minimum risk portfolio with X and Y. The correlation coefficient between their returns is (i) +1 and (ii)-0.36 for these minimum risk portfolios what would be the portfolio return and risk.				Understand	CMBB34.03	
9	An Investor owns a portfolio composed of five securities with the characteristics				Understand	CMBB34.03	
	Security	Beta	Random error term S D (%)	Proportion			
	1	1.35	5	0.10			
	2	1.05	9	0.20			
	3	0.80	4	0.15			
	4	1.50	12	0.30			
5	1.12	8	0.25				
If the S D of the market index is 20%. What is the total risk of the portfolio							
10	Security	Weighting	$\alpha_i$	$\beta_i$	Residual Variance ( $\sigma_e^2$ )	Understand	CMBB34.03
	1	0.2	2.0	1.2	320		
	2	0.3	1.7	0.8	450		
	3	0.1	-0.8	1.6	270		
	4	0.4	1.2	1.3	180		
Calculate the returns and risk of the portfolio under single index model, if the returns of the market index is 16.4% and S D of return on market index is 14%							

### UNIT -III

#### BOND ANALYSIS AND VALUATION AND MANAGEMENT

##### Part - A (Short Answer Questions)

1	Define fixed income securities.	Remember	CMBB34.05
2	What are the features of bonds?	Remember	CMBB34.05
3	What are the types of bonds?	Understand	CMBB34.06
4	Discuss the risk associated with bonds.	Remember	CMBB34.05
5	Define interest rate risk in bonds.	Remember	CMBB34.05
6	Explain current yield with formula	Understand	CMBB34.06
7	What is yield to call? Write a short note on its merits?	Understand	CMBB34.05
8	Explain various bond pricing theorems.	Remember	CMBB34.06

9	Explain bond convexity with neat diagram.	Understand	CMBB34.05										
10	Explain bond duration. Write its importance	Understand	CMBB34.05										
11	Calculate DOL from the following data of Thomson Ltd. Profit is Rs.25000, Variable cost Rs.20000, fixed cost is Rs.10000000 and quantity are 80000 & 10000.	Understand	CMBB34.06										
12	Discuss bond price analysis in valuation of bonds.	Remember	CMBB34.06										
13	What is bond immunization?	Remember	CMBB34.06										
14	State the principle proposition of Modigliani and Miller approach?	Understand	CMBB34.05										
15	State the passive bond management strategies in bond management?	Remember	CMBB34.05										
16	The future value of a 12% bond is 100. What is the current yield if an investor buys bond from the market for Rs.80 and 100?	Remember	CMBB34.06										
17	Write a note on merits and demerits of net operating income approach in capital structure?	Understand	CMBB34.05										
18	State the active bond management strategies in bond management.	Remember	CMBB34.06										
19	What is the risk associated with the bonds?	Remember	CMBB34.06										
20	Write a note on Zero interest fully convertible bonds?	Understand	CMBB34.05										
<b>Part – B (Long Answer Questions)</b>													
1	Discuss is bond indenture and bonds in perpetuity?	Understand	CMBB34.05										
2	What are the various types of bonds? What is the difference between Collateral trust bonds and bonds with warrants?	Understand	CMBB34.05										
3	What do you mean yield to maturity and yield to call. Discuss in detail with a example.	Understand	CMBB34.06										
4	What is convertible bond? Discuss the advantages and disadvantages of buying convertible bonds?	Understand	CMBB34.05										
5	How do you value bonds? Discuss various methods associated with bonds?	Understand	CMBB34.05										
6	Write in detail about bond pricing theorems in detail with examples?	Understand	CMBB34.06										
7	Explain in detail about bond convexity and show interest rate structure with a diagram	Understand	CMBB34.05										
8	Explain Macaulay s bond duration and Modified Macaulay s bond duration with a example.	Understand	CMBB34.06										
9	Explain bond immunization. Write its process and limitations in detail?	Understand	CMBB34.05										
10	Discuss active and passive bond management strategies in bond Management?	Understand	CMBB34.05										
11	Discuss about merits and demerits of net operating income approach in capital structure?	Understand	CMBB34.06										
12	Define interest rate risk in bonds , Discuss the risk associated with bonds	Understand	CMBB34.06										
13	State the active bond management strategies in bond management. What is the risk associated with the bonds?	Understand	CMBB34.06										
14	What is a bond discuss about features of bond and different types of bond	Understand	CMBB34.05										
15	Discuss about Deep discount bond (or) Zero Coupon Bond	Understand	CMBB34.05										
16	Explain in short about Macaulays Duration Vs Modified Macaulays Duration	Understand	CMBB34.06										
17	From the following data follow, compute the holding period returns <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Time</th> <th>Stock Price</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Rs25</td> </tr> <tr> <td>2</td> <td>30</td> </tr> <tr> <td>3</td> <td>24</td> </tr> <tr> <td>4</td> <td>32</td> </tr> </tbody> </table>	Time	Stock Price	1	Rs25	2	30	3	24	4	32	Understand	CMBB34.05
Time	Stock Price												
1	Rs25												
2	30												
3	24												
4	32												
18	Define the term i)Coupon yield ii)Current Yield iii)Holding Period Return	Understand	CMBB34.06										
19	Define the term i)Straight bond value ii)conversion Value iii)Option Value	Understand	CMBB34.06										

20	What are the different types of fixed income securities	Understand	CMBB34.05				
<b>Part – C (Problem Solving and Critical Thinking)</b>							
1	A four years bond with a 7% coupon rate and maturity of 1000 is currently selling at 905 What is its yield to maturity.	Understand	CMBB34.06				
2	A bond has a market price of 85 and par value of 100 it has an interest rate of 12% and matures after 5 years. What rate of return would an investor receive if he buy this bond and holds it till maturity?	Understand	CMBB34.06				
3	Calculate Market Price and price change for bond A& B		Understand	CMBB34.06			
	Particulars	Bond A			Bond B		
	Per Value	1000			1000		
	Coupon Rate	15%			15%		
	Yield	15%			15%		
	Maturity	2Years			3years		
4	Determine the price of bond A and bond B		Understand	CMBB34.05			
		Bond A			Bond B		
	Face Value $p_n$	1000			1000		
	Coupon rate $r$	10%			10%		
	Maturity $n$	5Year			5 Years		
	YTM	12%	14%				
5	Calculate the bond value if Time is 3 years Coupon rate is 8% Face Value is 1000 YTM/Market interest rate 6% Coupon Paid is Semi Annual	Understand	CMBB34.05				
06	A company had issued bond with a face value of Rs 1000. Coupon of 12% And time of maturity 12 years. The market rate of interest is 14%. Find the duration of the bond	Understand	CMBB34.06				
07	An Investor finds the following position in X respect of two bonds I andII			Understand	CMBB34.05		
		Face Value	Coupon Rate			Life	Market Price
	Bond I	Rs 50000	8.50%			3years	Rs 4950
	Bond II	Rs 10000	8.75%			4Years	Rs 9900
Given That coupon interest is payable annually and the required rate 9% find out the value of the both bonds which one is better to invest							
08	Arvin considers Rs 1000 per value bearing a coupon rate of 11% the maturity after 5 years. He Want a minimum yield to maturing of 15%.The bond is currently sold at Rs 870 Should he buy the bond?	Understand	CMBB34.06				
09	Mr. Sagar is considering to purchase of bond currently selling at Rs 878.50 the bond has 4 years of maturity with a face value of Rs 1000 and 8% coupon rate The next annual interest payment is due after one year from today. The required rate of return is Calculate the intrinsic value of the bond. Should Sagar buy the bond Calculate the YTM of the bond	Understand	CMBB34.06				
10	Calculate the Value and duration for the following bonds assuming a YTM of 8% for both ABC and XYZ	Understand	CMBB34.05				
<b>UNIT -IV</b>							
<b>EQUITY VALUATION AND DERIVATIVES</b>							
<b>Part – A (Short Answer Questions)</b>							
1	Write a note on equity evaluation.	Remember	CMBB34.07				
2	What is Walter model in relevance theories of dividend?	Remember	CMBB34.07				
3	Earnings = Rs.15/share, dividend= Rs.5/share, IRR=30%, cost of capital=22%. What is the market price of the share?	Remember	CMBB34.08				
4	What are the various forms of dividend?	Remember	CMBB34.08				
5	What is Gordon model in relevance theories of dividend?	Understand	CMBB34.08				
6	If earnings rate is 12%, cost of capital is 8%, value of share is Rs.12 per share, retention ratio is 40%, then calculate present value of share?	Remember	CMBB34.08				
7	Explain scope of equity evaluation.	Understand	CMBB34.07				
8	What is discounted cash flow technique? What are merits of it?	Understand	CMBB34.08				
9	What is balance sheet valuation in equity valuation methods?	Understand	CMBB34.07				



10	What are the limitations of book value method?	Understand	CMBB34.08
11	What is the difference between single stage and two stage growth model?	Remember	CMBB34.08
12	Distinguish between H model and multi stage growth models?	Understand	CMBB34.07
13	Discuss intrinsic value?	Understand	CMBB34.07
14	Define market price in equity valuation model?	Understand	CMBB34.08
15	What is relative value?	Remember	CMBB34.08
16	Briefly explain the components of price earnings ratio?	Understand	CMBB34.07
17	How do price/ book value ratio needed by an organization?	Understand	CMBB34.08
18	What is operating cycle? Sketch a neat diagram	Remember	CMBB34.07
19	What is price/sales ratio?	Remember	CMBB34.08
20	What is Economic Value added?	Understand	CMBB34.07
<b>Part – B (Long Answer Questions)</b>			
1	What do you mean by equity? Write about the impact of dividend decisions on firm value?	Understand	CMBB34.08
2	Discuss Walter's the relevance theory of dividend which supports the Argument that dividend decision has an impact on shareholders' value and value of the firm.	Understand	CMBB34.07
3	What are various valuation models of equity valuation?	Understand	CMBB34.07
4	What do you mean by dividend? What are the various factors determining dividend policy of a firm?	Understand	CMBB34.07
5	What do you understand by dividend discount models? State its advantages and limitations.	Understand	CMBB34.08
6	What is rights issue? What are the guidelines issued by SEBI for rights issue? State its merits.	Understand	CMBB34.07
7	What is market price? What are the reasons for relative value?	Understand	CMBB34.08
8	What do you understand by price earnings ratio? Represent its components in detail	Understand	CMBB34.07
9	Bring out the components of price/book value ratio in equity valuation models	Understand	CMBB34.08
10	Explain price/ sales ratio in the equity valuation.	Understand	CMBB34.07
11	Distinguish between single stage and two stage growth model? And explain the price earning ration?	Understand	CMBB34.08
12	Discuss briefly about evaluation of technical analysis	Understand	CMBB34.07
13	The Equity share of the company is Rs 23 and the anticipated growth rate is Rs 10.5 In the current year it has paid a dividend of Rs 2.50per share  a) What is the expected rate of return  b) If the investor requires a 17% return should he purchase the stock	Understand	CMBB34.07
14	Anil has bought Everest company stock that has paid Rs 3 as a dividend per share during the last financial year. He anticipated two situations either a 5% growth or 55 declines in the dividend in the next year. His anticipated return id 20%.Fix the price for both situations	Understand	CMBB34.07
15	Discuss briefly about P/E ratio or Earnings multiple approach	Understand	CMBB34.08
16	The current price of the company's share is Rs 75 and the dividend growth rate is Rs 5.Calculate the dividend growth rate, if its capitalization rate is 12%	Understand	CMBB34.07
17	Vigilant company stock is currently selling price of Rs 25 per share. The stock is expected to pay Re 1 as a dividend per share at he end of the next year. It is reliably estimated that the stock will be available for Rs 29 at the end of one year  a) If the forecast about the dividend and price and accurate, is it advisable to buy the present price? His required rate of return is 20%  b) If the investor requires 15% return when the dividend remains constant what should be the price at the end of the first year?	Understand	CMBB34.07
18	Beta corporation pervious dividend was Rs 10 per share. Earnings and dividends are expected to grow at the rate of 20%. The required rate of return and current market price are 25%and Rs 240 respectively Is the share underpriced, overpriced or reasonably priced? .	Understand	CMBB34.08

19	Ashok wants to buy watchful company's stock and hold on it for five years. He estimates that Rs 3.44 dividend should be paid by the company continuously for the next five years. He hopes to sell the shares at Rs 60 at the end of the fifth year. what is the present price ? if the required rate of return id 10%	Understand	CMBB34.08
20	X Stock is currently selling share per Rs 30 , dividend expected is Rs 2.Required rate of return is 15% Calculate price after one year?	Understand	CMBB34.07

**Part – C (Problem Solving and Critical Thinking)**

1	The current dividend on an equity share of Dixie limited is Rs 4.Dixie is expected to enjoy an above normal growth rate of 18% for 6years.therefore the growth rate will fall and stabilize at 10%.Equity investors required a return of 16% from Dixie stock. What is the intrinsic value of the equity share of Dixie	Understand	CMBB34.08		
2	Y Company's Equity share is expected to provide a dividend of Rs 2 per share and fetch a price of Rs 18 a year. Hence what price would it sells now, if the investors expects rate of return is 12%	Understand	CMBB34.07		
3	Following is the condensed income statement of firm for the current year The Firm's existing capital consists of 150 Lakh equity funds, having 15% cost and of 100 lakhs 12% debt > determine the EVA during the year Particulars	CMBB34.08	CMBB34.08		
	Sales Revenue = 400(L) Less : Operating Cost = 200(L) Less : interest Coats = 12(L) Earnings Before Tax = 188(L) Less : Taxes (0.40) = 75.2(L) Earnings after taxes = 11.8(L)	Understand	CMBB34.08		
4	A company pays a dividend of Rs 4 per share. Dividend grows at 9% P.A and equity capitalization rate of company is 12%. Find out PE ratio, if EPS of the company is Rs 6	Understand	CMBB34.08		
5	Antique Arts company would pay Rs 2.50as dividend per share for next year and expected to grow indefinitely at 12%.What would be the equity value if the investor require 20% returns	Understand	CMBB34.07		
	Find the Intrinsic Value of the Following Shares	Understand	CMBB34.07		
	Share			A	B
	Next Year dividend per Share			Rs 3.50	Rs 2
	Growth rate of dividend			10% p.a	First four years at 10% p.a after four years at 6%
	Request rate of return	15%	14%		

**UNIT –V**

**MUTUAL FUNDS**

**Part - A (Short Answer Questions)**

1	What do you understand by portfolio management?	Understand	CMBB34.09
2	What are the basic theories of portfolio management?	Remember	CMBB34.10
3	Give an account on Markowitz portfolio theory.	Understand	CMBB34.10
4	What is capital asset pricing model in pricing the securities?	Remember	CMBB34.09
5	What is the significance of CAPM?	Remember	CMBB34.10
6	Discuss Capital market line in portfolio management?	Remember	CMBB34.10
7	What is security market line?	Understand	CMBB34.09
8	Discuss the concept of portfolio diversification.	Understand	CMBB34.10
9	Define efficient frontier. What are the forms of efficient frontier?	Understand	CMBB34.09
10	List out some of the objectives of inventory management?	Understand	CMBB34.10
11	What are the factors influencing portfolio management?	Remember	CMBB34.10
12	What do you understand by portfolio risk?	Understand	CMBB34.09
13	What do you mean by portfolio return?	Remember	CMBB34.10
14	What is risk? Explain various types of portfolio risks in detail.	Understand	CMBB34.09

15	What is Jenson model in portfolio evaluation?	Remember	CMBB34.09																				
16	Write about Sharpe's model in portfolio management?	Understand	CMBB34.10																				
17	What is treynor's model? What are the uses of it in portfolio management?	Remember	CMBB34.09																				
18	Define efficient frontier. What are the forms of efficient frontier?	Understand	CMBB34.10																				
19	What are the various forms of portfolio revision?	Remember	CMBB34.09																				
20	Differentiate between Formula plan and variable ratio plan	Understand	CMBB34.10																				
<b>Part - B (Long Answer Questions)</b>																							
1	Explain the concept of portfolio management. What are the objectives of portfolio management?	Understand	CMBB34.09																				
2	Briefly discuss the optimum portfolio strategies in portfolio management.	Understand	CMBB34.10																				
3	What is Markowitz portfolio theory? How it is useful in calculation of Portfolio risk and return?	Understand	CMBB34.09																				
4	What are the methods employed in pricing of a security? Discuss capital asset pricing model in detail.	Understand	CMBB34.16																				
5	Explain the security market line and capital market line in portfolio management.	Understand	CMBB34.09																				
6	Discuss the techniques of portfolio revision in current scenario.	Understand	CMBB34.09																				
7	What is efficient frontier? Discuss the use of portfolio diversification in portfolio management?	Understand	CMBB34.09																				
8	Discuss the importance of measurement of performance of portfolio?	Understand	CMBB34.10																				
9	What is Jonson's model in portfolio management? Write its merits and demerits in detail?	Understand	CMBB34.10																				
10	What are the components of Sharpe's model? Write its merits and demerits in detail?	Understand	CMBB34.09																				
11	Discuss the Various Methods of Option Valuation.	Understand	CMBB34.10																				
12	Discuss the concept of portfolio diversification. Define efficient frontier. What are the forms of efficient frontier?	Understand	CMBB34.10																				
13	Define efficient frontier. What are the forms of efficient frontier? What are the various forms of portfolio revision?	Understand	CMBB34.09																				
14	Describe some of the objectives of inventory management? What are the factors influencing portfolio management?	Understand	CMBB34.09																				
15	Explain Various Schemes that exists in mutual funds	Understand	CMBB34.10																				
16	Explain the structure of the Mutual funds? Explain in detail about Net Asset values	Understand	CMBB34.09																				
17	Discuss briefly about risk and returns involves in mutual funds	Understand	CMBB34.10																				
18	State the methods of portfolio performance evaluation? Explain Sharpe's reward to variability model	Understand	CMBB34.09																				
19	Explain Fames Decomposition of Return Model	Understand	CMBB34.10																				
20	Analyze the Various portfolio performance evaluation methods	Understand	CMBB34.09																				
<b>Part – C (Problem Solving and Critical Thinking)</b>																							
1	Share of Nidhi Ltd are presently sold at Rs 300 per share. An investor has 2000 shares of Nidhi Ltd. Beta of Nidhi Ltd is 1.2. He wants o hedge his position by taking NIFTY futures available at 2400 (lot size, 100 units). How many NIFTY futures contracts he should buy? Also, analysis his profit or loss position if NIFTY increases to 2500 and shares of Nidhi Ltd rises to Rs 350	Understand	CMBB34.10																				
2	Calculate Sharpe and Treynor Models from the following data	Understand	CMBB34.10																				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">PORTFOLIO</th> <th style="width: 25%;">RETURN</th> <th style="width: 25%;">STANDARD DEVIATION</th> <th style="width: 25%;">CORELATION COEFFICIENT</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>18</td> <td>27</td> <td>0.8</td> </tr> <tr> <td>B</td> <td>14</td> <td>18</td> <td>0.6</td> </tr> <tr> <td>C</td> <td>15</td> <td>8</td> <td>0.9</td> </tr> <tr> <td>MARKET</td> <td>13</td> <td>12</td> <td>-</td> </tr> </tbody> </table>	PORTFOLIO	RETURN	STANDARD DEVIATION	CORELATION COEFFICIENT	A	18	27	0.8	B	14	18	0.6	C	15	8	0.9	MARKET	13	12	-		
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3	Two independent samples of 8 & 7 items respectively had the following values.	Understand	CMBB34.09																				
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Sample I	11	11	13	11	15	9	12	14															
Sample II	9	11	10	13	9	8	10																
	Is the difference between the means of samples significant?																						

4	From the following details calculate the price of the call option black shoes model market price of share is Rs 92 and the strike price of the share is Rs 95 and time period 50 days option expires on Dec 21 <sup>st</sup> 2002 option contract is made on 11 <sup>th</sup> Nov 2002 and risk free rate of interest is 7.12% p.a S D is 35%			Understand	CMBB34.09	
5	Six Portfolios experienced the following result during a seven year period			Understand	CMBB34.10	
	Portfolio	Average Annual Returns	S D			Correlation
	A	18.6	27.0			0.81
	B	14.8	18.0			0.65
	C	15.1	8.0			0.98
	D	22.0	21.2			0.75
	E	-9.0	4.0			0.45
	F	26.5	19.3			0.63
	Market (m)	13.0	12.0			-
Risk Free Rate	9.0	-	-			

**Prepared by:**

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