



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

MASTER OF BUSINESS ADMINISTRATION TUTORIAL QUESTION BANK

Course Name	:	SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
Course Code	:	CMB404
Class	:	II MBA I SEMESTER
Branch	:	MBA
Academic Year	:	2018– 2019
Course Coordinator	:	Mr. Ramesh, Assistant Professor
Course Faculty	:	Mr. Ramesh, Assistant Professor

COURSE OBJECTIVES;

The course should enable the students to:

S. NO	DESCRIPTION
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 LEARNING OUTCOMES:

Students, who complete the course, will have demonstrated the ability to do the following:

CCMB404.01	Understand the investment environment in India, overview of Indian financial system securities trading in stock markets and investment alternatives.
CCMB404.02	Explain the investment management process and security analysis like fundamental analysis, technical analysis and efficient market hypothesis.
CCMB404.03	Recognize the significance of risk and return relationship from investing Markowitz portfolio theory and mean variance approach.
CCMB404.04	Know the risk and returns from investing Markowitz portfolio theory and portfolio selection.
CCMB404.05	Express the single index model, capital asset pricing model and arbitrage pricing theory.
CCMB404.06	Analyze different types of bonds, interest rates, term structure of interest rates and measuring bond yields.
CCMB404.07	Demonstrate bond pricing theorems, bond duration, active and passive bond management strategies, bond volatility and bond immunization.
CCMB404.08	Examine the concepts of equity analysis, equity valuation, balance sheet analysis, Intrinsic value and market price.

CCMB404.09	Identify the overview of derivative markets, option markets, strategies, forward and future marketing strategies and design swaps.
CCMB404.10	Recognize different types of mutual fund schemes, structure, net asset value, risk and return
CCMB404.11	Improve performance evaluation models like sharpe model, trey nor model, Jensen model, fame's decomposition and identify the trends in Indian mutual funds.

TUTORIAL QUESTION BANK

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
UNIT-I			
INVESTMENT AND SECURITY ANALYSIS			
PART-A (SHORT ANSWER QUESTIONS)			
1	Define investment management.	Remember	CCMB404.01
2	Briefly explain the objectives of investment management?	Understand	CCMB404.01
3	Write a short note on types of investments?	Understand	CCMB404.01
4	Write the use of financial instruments in investment management?	Remember	CCMB404.01
5	What is finance referred to as "Life blood of an organization"? What is its relevance?	Understand	CCMB404.01
6	What do you mean by investment media?	Remember	CCMB404.01
7	What are the limitations of investment management?	Understand	CCMB404.01
8	Distinguish between investment and speculation?	Remember	CCMB404.01
9	Write about factors which help to reduce risk in gambling?	Understand	CCMB404.01
10	What is gambling? How does it differ from investment?	Remember	CCMB404.02
11	What is the difference between unique risk and market risk?	Understand	CCMB404.02
12	Distinguish between present value and future value.	Remember	CCMB404.02
13	How securities are traded?	Understand	CCMB404.02
14	What are the types of orders in securities trading?	Understand	CCMB404.02
15	State the objective of the wealth maximization?	Remember	CCMB404.02
16	Distinguish between open outcry system and screen based system in trading	Understand	CCMB404.02
17	Explain the procedure for selling of shares.	Remember	CCMB404.02

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome								
18	What is listing of shares? Describe the advantages provided for listing in stock exchanges?	Remember	CCMB404.02								
19	What are the different kinds of brokers operating in the stock exchange?	Remember	CCMB404.02								
20	Write a note on i) Bull ii) Bear iii) Stag	Remember	CCMB404.02								
PART-B (LONG ANSWER QUESTIONS)											
1	Compare and contrast investment, speculation and gambling.	Understand	CCMB404.01								
2	What is the objective of investment management?	Remember	CCMB404.01								
3	Explain the procedure for calculating the present value of, a) Regular annuity b) Annuity due c) Deferred annuity.	Understand	CCMB404.01								
4	What is the scope and types of investment management?	Remember	CCMB404.01								
5	Explain the investment process in detail.	Understand	CCMB404.01								
6	Discuss the investment environment in investments?	Remember	CCMB404.02								
7	Explain the concept of risk-return trade off. What are the decisions involved in risk return trade-off?	Understand	CCMB404.02								
8	Write in detail about the various goals of investment management?	Understand	CCMB404.02								
9	Write are the two ways of organizing the trading activity in securities trading?	Remember	CCMB404.02								
10	What do you mean by trading order? Explain the various types of orders in security trading.	Understand	CCMB404.02								
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)											
1	You are considering purchasing the equity stock of ABC company? The current price per share is Rs.10. you expect the dividend a year hence to be Rs.1. from the following data calculate a) What is the expected price per share year hence? b) What is the rate of return on ABC equity stock? c) What is the standard deviation of ABC stock? <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Price a year hence</td> <td>Rs.10</td> <td>Rs.11</td> <td>Rs.12</td> </tr> <tr> <td>Probability</td> <td>0.4</td> <td>0.4</td> <td>0.2</td> </tr> </table>	Price a year hence	Rs.10	Rs.11	Rs.12	Probability	0.4	0.4	0.2	Understand	CCMB404.01
Price a year hence	Rs.10	Rs.11	Rs.12								
Probability	0.4	0.4	0.2								
UNIT-II											
PORTFOLIO ANALYSIS											
PART-A(SHORT ANSWER QUESTIONS)											
1	Define risk. Explain how diversification influences risk.	Remember	CCMB404.03								
2	What are the objectives of security analysis?	Understand	CCMB404.03								

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
3	Define the concept of security analysis. What are the different types of securities?	Remember	CCMB404.03
4	Differentiate between equity and debt in cost of capital?	Remember	CCMB404.03
5	Define risk. Explain different types of risks.	Understand	CCMB404.03
6	How do you analyze securities?	Remember	CCMB404.03
7	Discuss the process of fundamental analysis.	Understand	CCMB404.03
8	What is the objective of fundamental analysis	Understand	CCMB404.03
9	Define intrinsic value in economic analysis.	Remember	CCMB404.03
10	What is price earnings ratio? Explain with a simple example.	Understand	CCMB404.03
11	A project requires an investment of Rs.60000 and has a scrap value of Rs.30000 after 4 years. It is expected to yield profits after taxes during four years amounting to 40000, 60000, 50000 and 30000. Calculate ARR on the investment.	Understand	CCMB404.03
12	Define Walter model. Write its merits and demerits.	Remember	CCMB404.04
13	What is economic analysis in security analysis?	Remember	CCMB404.04
14	What do you understand by industry analysis? What is its significance?	Understand	CCMB404.04
15	Write the importance of company analysis.	Remember	CCMB404.04
16	Write the merits and demerits of Economic Value Added.	Understand	CCMB404.04
17	Explain the differences between fundamental and technical analysis.	Remember	CCMB404.04
18	What are the steps involved in Dow theory?	Remember	CCMB404.04
19	What are the types of charts in Technical analysis?	Understand	CCMB404.04
20	How Efficient market hypothesis is used in Security analysis?	Remember	CCMB404.04
PART-B (LONG ANSWER QUESTIONS)			
1	What are the various steps involved in investment decision process?	Remember	CCMB404.03
2	What is fundamental analysis? What are the objectives and believes of it?	Remember	CCMB404.03
3	What are the types of securities?	Understand	CCMB404.03
4	Define security analysis. What are the objectives of security analysis?	Understand	CCMB404.03
5	How accounting concept is is used in valuation of equity shares?	Remember	CCMB404.03
6	Define capital budgeting. Explain the capital budgeting decisions under risk and uncertainty.	Understand	CCMB404.04

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome																				
7	What is dividend? Discuss dividend concept in valuation of equity shares.	Remember	CCMB404.04																				
8	What is net present value method? What are its advantages and disadvantages?	Understand	CCMB404.04																				
9	What is Earnings concept? Explain price earnings ratio and intrinsic value of a equity share.	Remember	CCMB404.04																				
10	Explain Walter and Gordon model in valuation of equity shares under earnings concept in detail.	Remember	CCMB404.04																				
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)\4																							
1	A Corporation has a required rate of return of 16% and its current dividend is Rs.3 per share. If the current price is Rs.55 per share. What is the growth rate of its dividend	Understand	CCMB404.04																				
2	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Economic condition</th> <th>Probability</th> <th>Returns on security A</th> <th>Returns on security B</th> </tr> </thead> <tbody> <tr> <td>Boom</td> <td>0.2</td> <td>5</td> <td>-10</td> </tr> <tr> <td>Above normal</td> <td>0.40</td> <td>30</td> <td>25</td> </tr> <tr> <td>Normal</td> <td>0.3</td> <td>20</td> <td>20</td> </tr> <tr> <td>Dull</td> <td>0.1</td> <td>10</td> <td>10</td> </tr> </tbody> </table>	Economic condition	Probability	Returns on security A	Returns on security B	Boom	0.2	5	-10	Above normal	0.40	30	25	Normal	0.3	20	20	Dull	0.1	10	10	Remember	CCMB404.04
	Economic condition	Probability	Returns on security A	Returns on security B																			
	Boom	0.2	5	-10																			
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	Normal	0.3	20	20																			
Dull	0.1	10	10																				
The return on two securities A & B are given in different economic conditions of a country. Find out their Expected returns and Variance.																							
UNIT-II																							
BOND ANALYSIS AND VALUATION AND MANAGEMENT																							
PART-A(SHORT ANSWER QUESTIONS)																							
1	Define fixed income securities.	Remember	CCMB404.05																				
2	What are the features of bonds?	Remember	CCMB404.05																				
3	What are the types of bonds?	Understand	CCMB404.05																				
4	Discuss the risk associated with bonds.	Understand	CCMB404.05																				
5	Define interest rate risk in bonds.	Remember	CCMB404.05																				
6	Explain current yield with formula	Understand	CCMB404.05																				
7	What is yield to call? Write a short note on its merits?	Remember	CCMB404.05																				
8	Explain various bond pricing theorems.	Remember	CCMB404.06																				
9	Explain bond convexity with neat diagram.	Understand	CCMB404.06																				

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
10	Explain bond duration. Write its importance	Remember	CCMB404.06
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	CCMB404.05
12	Discuss bond price analysis in valuation of bonds.	Remember	CCMB404.05
13	What is bond immunization?	Understand	CCMB404.05
14	State the principle proposition of Modigliani and Miller approach?	Remember	CCMB404.05
15	State the passive bond management strategies in bond management?	Remember	CCMB404.05
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?	Understand	CCMB404.05
17	Write a note on merits and demerits of net operating income approach in capital structure?	Remember	CCMB404.05
18	State the active bond management strategies in bond management.	Remember	CCMB404.06
19	What is the risk associated with the bonds?	Understand	CCMB404.06
20	Write a note on Zero interest fully convertible bonds?	Remember	CCMB404.06
PART-B(LONG ANSWER QUESTIONS)			
1	What is bond indenture and bonds in perpetuity?	Remember	CCMB404.05
2	What are the various types of bonds? What is the difference between collateral trust bonds and bonds with warrants?	Understand	CCMB404.05
3	What do you mean yield to maturity and yield to call. Discuss in detail with an example.	Remember	CCMB404.06
4	What is convertible bond? Discuss the advantages and disadvantages of buying convertible bonds?	Remember	CCMB404.06
5	How do you value bonds? Discuss various methods associated with bonds?	Understand	CCMB404.016
6	Write in detail about bond pricing theorems in detail with examples?	Understand	CCMB404.06
7	Explain in detail about bond convexity and show interest rate structure with a diagram	Understand	CCMB404.06
8	Explain Macaulay's bond duration and Modified Macaulay's bond duration with an example.	Understand	CCMB404.06
9	Explain bond immunization. Write its process and limitations in detail?	Remember	CCMB404.06

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
10	Discuss active and passive bond management strategies in bond management?	Remember	CCMB404.06
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	A bond of Rs.5000 bearing coupon rate of 10% and redeemable in 10 years at is being redeemed at Rs. 5300.find the YTM of the bond.	Remember	CCMB404.05
2	A deep discount bond has a maturity period of 10 years. It has the face value of Rs.1,00,000. Find out the value of the bond if required rate of return is 15%	Understand	CCMB404.05
3	A 10% bond of rs.1000 has a redemption period of 4 years. Bond is currently selling at Rs.900. bond carries the interest amount of Rs.100,100 and 100 and a redemption value of 1100 at the end of 4 years from now. Ytm of the bond is 12%.find the bond duration.	Remember	CCMB404.06
UNIT-IV			
EQUITY VALUATION AND DERIVATIVES			
PART-A (SHORT ANSWER QUESTIONS)			
1	Write a note on equity evaluation.	Remember	CCMB404.07
2	What is Walter model in relevance theories of dividend?	Understand	CCMB404.07
3	Earnings = Rs.15/share, dividend= Rs.5/share, IRR=30%, cost of capital=22%. What is the market price of the share?	Remember	CCMB404.07
4	What are the various forms of dividend?	Understand	CCMB404.07
5	What is Gordon model in relevance theories of dividend?	Understand	CCMB404.07
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	CCMB404.07
7	Explain scope of equity evaluation.	Understand	CCMB404.07
8	What is discounted cash flow technique? What are merits of it?	Remember	CCMB404.08
9	What is balance sheet valuation in equity valuation methods?	Understand	CCMB404.08
10	What are the limitations of book value method?	Remember	CCMB404.08
11	What is the difference between single stage and two stage growth model?	Remember	CCMB404.08
12	Distinguish between H model and multi stage growth models?	Understand	CCMB404.08
13	Discuss intrinsic value?	Remember	CCMB404.08
14	Define market price in equity valuation model?	Understand	CCMB404.08
15	What is relative value?	Understand	CCMB404.08
16	Briefly explain the components of price earnings ratio?	Remember	CCMB404.08

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
17	How do price/ book value ratio needed by an organization?	Understand	CCMB404.08
18	What is operating cycle? Sketch a neat diagram	Remember	CCMB404.08
19	What is price/sales ratio?	Understand	CCMB404.08
20	What is Economic Value added?	Understand	CCMB404.08
PART-B (LONG ANSWER QUESTIONS)			
1	What do you mean by equity? Write about the impact of dividend decisions on firm value?	Understand	CCMB404.07
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.	Remember	CCMB404.07
3	What are various valuation models of equity valuation?	Understand	CCMB404.07
4	What do you mean by dividend? What are the various factors determining dividend policy of a firm?	Remember	CCMB404.07
5	What do you understand by dividend discount models? State its advantages and limitations.	Understand	CCMB404.07
6	What is rights issue? What are the guidelines issued by SEBI for rights issue? State its merits.	Understand	CCMB404.07
7	What is market price? What are the reasons for relative value?	Remember	CCMB404.08
8	What do you understand by price earnings ratio? Represent its components in detail	Remember	CCMB404.08
9	Bring out the components of price/book value ratio in equity valuation models	Remember	CCMB404.08
10	Explain price/ sales ratio in the equity valuation.	Understand	CCMB404.08
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	A company has a profit after tax @30% Rs.330000. the market price of equity shares is 95. It has paid a dividend to equity shareholders at rate of 15%. The capital structure of the company comprises of 80000 equity shares of 100 each. Analyze earnings per share, price earnings ratio.	Remember	CCMB404.07
2	A company has a required rate of return of 16% and its current dividend is Rs.3 per share. If the current price is Rs.55 per share. What is the growth rate of its dividend?	Remember	CCMB404.07
3	A company is with a net profit of Rs.150000, the number of equity shares is 10000. The dividend payout ratio is 50% and EPS is Rs.15. the company announces 50% stock dividend and at the same time new dividend rate per share is Rs.5.60. what is new payout ratio? How much cash is required?	Understand	CCMB404.07
4	The current dividend on an equity share of polar technology is Rs.3. polar is expected to enjoy an above normal growth rate of 40% for 5 years.	Understand	CCMB404.08

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
	Thereafter the growth rate will fall and stabilize at 12%. Equity investors require a return of 18% from polar stock. What is the intrinsic value of the equity shares of polar?		
UNIT-V			
MUTUAL FUNDS			
PART-A(SHORT ANSWER QUESTIONS)			
1	What do you understand by portfolio management?	Understand	CCMB404.09
2	What are the basic theories of portfolio management?	Understand	CCMB404.09
3	Give an account on Markowitz portfolio theory.	Understand	CCMB404.09
4	What is capital asset pricing model in pricing the securities?	Remember	CCMB404.09
5	What is the significance of CAPM?	Remember	CCMB404.09
6	Discuss Capital market line in portfolio management?	Understand	CCMB404.09
7	What is security market line?	Remember	CCMB404.09
8	Discuss the concept of portfolio diversification.	Understand	CCMB404.09
9	Define efficient frontier. What are the forms of efficient frontier?	Understand	CCMB404.09
10	List out some of the objectives of inventory management?	Remember	CCMB404.10
11	What are the factors influencing portfolio management?	Remember	CCMB404.10
12	What do you understand by portfolio risk?	Understand	CCMB404.10
13	What do you mean by portfolio return?	Understand	CCMB404.10
14	What is risk? Explain various types of portfolio risks in detail.	Remember	CCMB404.10
15	What is Jenson model in portfolio evaluation?	Understand	CCMB404.11
16	Write about Sharpe's model in portfolio management?	Remember	CCMB404.11
17	What is treynor's model? What are the uses of it in portfolio management?	Understand	CCMB404.11
18	Define constant rupee value plan?	Remember	CCMB404.11
19	What are the various forms of portfolio revision?	Understand	CCMB404.11
20	Differentiate between Formula plan and variable ratio plan	Understand	CCMB404.11
PART-B(LONG ANSWER QUESTIONS)			
1	Explain the concept of portfolio management. What are the objectives of portfolio management?	Remember	CCMB404.09
2	Briefly discuss the optimum portfolio strategies in portfolio management.	Remember	CCMB404.09

S. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome															
3	What is Markowitz portfolio theory? How it is useful in calculation of portfolio risk and return?	Understand	CCMB404.09															
4	What are the methods employed in pricing of a security? Discuss capital asset pricing model in detail.	Apply	CCMB404.09															
5	Explain the security market line and capital market line in portfolio management.	Remember	CCMB404.09															
6	Discuss the techniques of portfolio revision in current scenario.	Understand	CCMB404.09															
7	What is efficient frontier? Discuss the use of portfolio diversification in portfolio management?	Understand	CCMB404.09															
8	Discuss the importance of measurement of performance of portfolio?	Remember	CCMB404.09															
9	What is Jenson's model in portfolio management? Write its merits and demerits in detail?	Understand	CCMB404.09															
10	What are the components of Sharpe's model? Write its merits and demerits in detail?	Remember	CCMB404.10															
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTION)																		
1.	A mutual fund has a NAV of Rs.10.60 in the beginning and Rs.10.90 at the end of period. Calculate the return of the mutual fund, when dividend of Rs.1.50 distributed. if there is a capital gain also distribute 0.50 paisa?	Remember	CCMB404.10															
2.	Calculate Sharpe and Treynor Models from the following data	Understand	CCMB404.11															
	<table border="1"> <thead> <tr> <th></th> <th>RETURN</th> <th>S.D</th> <th>RISK LESS RETURN</th> <th>BETA</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>20</td> <td>4</td> <td>10</td> <td>0.5</td> </tr> <tr> <td>B</td> <td>24</td> <td>8</td> <td>10</td> <td>1.0</td> </tr> </tbody> </table>				RETURN	S.D	RISK LESS RETURN	BETA	A	20	4	10	0.5	B	24	8	10	1.0
	RETURN			S.D	RISK LESS RETURN	BETA												
A	20	4	10	0.5														
B	24	8	10	1.0														

HOD, MBA