



Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

## POST GRADUATE DIPLOMA IN MANAGEMENT (2019-20) END TERM EXAMINATION (TERM - IV)

Subject Name: Security Analysis and Portfolio Management  
Sub. Code: PGF-02

Time: 02.00 hrs  
Max Marks: 50

### Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. All questions are compulsory in Section A, B & C. Section A carries 5 questions of 2 marks each, Section B carries 2 questions of 10 marks each and Section C carries 2 Case Studies of 10 marks each

### SECTION - A

02×05 = 10 Marks

Q. 1 (A): ABC Ltd has been and the dividend has grown from Rs 15 per share to Rs 25 per share over the last four years. The growth is likely to maintain in future too. The investors expect a return of 16 %. What is current price of the stock of ABC Ltd ?

Q. 1 (B): What is ASBA in allotment of equity shares in IPO process?

Q. 1 (C): What is Technical analysis? How it is different from Fundamental analysis?

Q. 1 (D): With no periodic coupon payment available how do you think the investor gets the desired return in case of zero coupon bonds.

Q. 1 (E): Differentiate between investors and speculators.

### SECTION - B

10×02 = 20 Marks

Q. 2: Comment on current Indian Stock markets performance. Discuss key factors that may drive the BSE in the next two years.

Q. 3: Consider following information for three mutual funds, X, Y and Z and the market. The mean risk free rate was 8 %. Calculate the Treynor measure, Sharp measure, and Jensen measure for the three mutual funds and the market index.

Mutual funds	Mean Return (%)	Standard Deviation (%)	Beta
P	10	14	0.9
Q	12	18	1.1
R	14	21	1.2
Market Index	11	14	1.0

### SECTION - C

10×02 = 20 Marks

Q. 4: **Case Study:** Below are the market data for the Zuma Ltd, Zip Motors and Nifty 50 from January 01, 2012 to January 01 2018.

Year	Zuma Ltd (Price per share Rs)	Zip Motors (Price per share Rs)	NIFTY 50
2012	270	472.5	4,624
2013	461	735	5905
2014	533	840	6304
2015	637	1050	8283
2016	810	1176	7946
2017	675	1050	8186
2018	567	1029	10531

- i) Calculate the following for Zuma Ltd, Zip Motors and NIFTY50
  - a) Average Annual Return, (b) Beta of both Stocks
- ii) Based on the information, suggest the better investment option out of the two stocks.

**Q. 5: Case Study:** Read the case given below and discuss.

You have been employed as a financial planner by Acme Investments, which, inter alia, advises clients on their investments. 'You have been assigned the task of developing an appropriate asset mix for three clients, Mahesh, Praveen, and Deepika.

**Mahesh: A Retiree with Modest Means** Mahesh retired recently from government service. He owns an apartment where he lives with his wife who is a homemaker. Mahesh received of Rs 28 lakh from provident fund, gratuity, and so on from his employer at the time of retirement. In addition he has other savings of Rs 4 lakh. Mahesh is entitled to a pension income of about Rs 150,000 per year which will probably move in line with inflation over time. Mahesh's primary investment goal is to generate an additional income of at least Rs 150,000 per year to meet his living expenses. In addition, he would like to prevent erosion of his capital as he and his wife do not have the ability to earn income outside their portfolio. Finally, he wants to increase his wealth to some extent.

**Praveen: A Young Executive with a Promising Future** Praveen is an ambitious twenty five year old who graduated recently from a prestigious business school. He is working as a credit officer in a multinational bank drawing a handsome salary. Praveen expects his earnings to rise substantially over time as his career advances. Praveen recently inherited a legacy of Rs 2,000,000 from his grandfather's estate. Praveen wants to build a sizeable portfolio' in the next twenty years or so to achieve financial freedom to retire early and pursue other interest in life or even start a venture of his own.

**Deepika: A Handicapped Millionaire** Deepika is an unmarried 19-year old girl who recently met with a crippling accident that has created a life-long disability-it also forced her to abandon her studies mid-way. Deepika inherited Rs 6,000,000 from her father's estate-this is her only financial asset. Deepika plans to stay alone in an owned or rented apartment with a live-in maid and work as a volunteer for the 'Home for the Disabled' to spend her time gainfully. Apart from rent, Deepika expects her living expenses to be about Rs 240,000 a year. Of course they are expected to increase over time in the wake of inflation. If Deepika buys an apartment for her use it will cost her Rs 36,00,000. Otherwise, she will have to pay a rent of about Rs 150,000 per year which will be periodically revised upwards. Deepika attaches almost equal importance to current income as well as growth in income to protect her from the ravages of inflation (which may be 5 percent per year).