No. of Printed Pages : 4 **MS–44**

MANAGEMENT PROGRAMME
(MP)
Term-End Examination
June, 2025

MS–44 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours *Maximum Marks : 100*

Weightage : 70%

Note : *Attempt any* ***five*** *questions. All questions carry equal marks.*

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1. Discuss the characteristics of investors, speculators and gamblers. Explain the impact of each on the investment decision process.

2. (a) Describe in brief the role of the Securities and Exchange Board of India (SEBI) in regulating the Indian Securities Market.

(b) Sriram Group recently paid an annual dividend of ₹ 3.50 per share. Earnings for the same year were ₹ 7.00 per share. The required return on equity with similar risk is 12%. Dividends are expected to grow 10 percent per year indefinitely. Calculate Sriram's 'normal' price-earnings ratio.

3. Outline the *three* forms of the Efficient Market Hypothesis (EMH) and their implications for investors. How does each form describe the relationship between market prices and available information ?

4. Describe the Capital Market Line (CML) and its significance in the context of portfolio theory. How does it relate to the efficient frontier ?

5. Explain the Capital Asset Pricing Model (CAPM) and its role in portfolio selection. What are its underlying assumptions and limitations ?

6. You are considering investing in two stocks : Stock A and Stock B. The expected returns and standard deviations of these stocks are as follows :

Stock A : Expected return = 10%, Standard deviation = 15%

Stock B : Expected return = 12%, Standard deviation = 20%

If you are planning to invest 40% of your funds in Stock A and the remaining 60% in Stock B :

(i) Calculate the expected return and standard deviation of the portfolio.

(ii) If the covariance between Stock-A and Stock-B is 0.03, recalculate the portfolio's expected return and standard deviation.

7. Discuss the challenges and limitations of using past performance as an indicator of future results for managed portfolios, particularly in the case of mutual funds.

8. Write short notes on the following :

   (a) Book Building Process

   (b) Random Walk Hypothesis

   (c) Efficient Frontier

   (d) Constant Rupee-Value Plan

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