

18. (a) Suppose Infosys stock is at Rs. 301.5. You simultaneously buy a Feb/20 call at 120 and sell at Feb/25 75. What is your maximum profit? Your breakeven price? Your loss?

Or

- (b) Write an essay on "option positions and strategies"
19. (a) How is the cutoff point determined in the portfolio ranking system introduced in this chapter? What is the interpretation of this cutoff point in economic terms?

Or

- (b) What is the optimum portfolio in choosing among the following securities and assuming $R_F = 5\%$ and $\sigma_M^2 = 10\%$?
20. (a) What are the relative advantages and disadvantages to an Indian investor of buying India pay versus foreign pay bonds? Explain.

Or

- (b) Why may Sharpe's and Treynor's measures of performance give conflicting performance rankings?

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M.B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2010.

Third Semester

Business Administration

SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT

(For those who joined in July 2008 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

1. Define "Investment".
2. Define "Equity".
3. Define "Stock".
4. Define "EPS".
5. Define "Strategies".
6. Define "Portfolio".
7. Define "Forecasting".
8. Define "Random Walk".

9. Define "Arbitrage".
10. Define "Index Funds".

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) Bring out the role of computer in the investment analysis.

Or

- (b) How would you compute the total return?

12. (a) What is a cyclic industry?

Or

- (b) What does an auditor's "unqualified" opinion really mean?

13. (a) Write a short notes on "Warrants".

Or

- (b) What are the machines of options trading?

14. (a) Briefly explain the relationship of a basic law of economics and an underlying premise of technical analysis.

Or

- (b) How do technicians and random walk advocates differ in their view of the stock market?

15. (a) What does it mean to assume that all investors have homogenous expectations?

Or

- (b) What is meant by the Security Market Line (SML)? Briefly explain.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Compare the traditional and modern approaches to security analysis to portfolio management

Or

- (b) List three significant observations about the investment behaviour of individuals during the past decade.

17. (a) It has often been said that common stocks are a good "hedge against inflation". Why do you suppose people think this way? Are you inclined to agree or disagree with this sentiment?

Or

- (b) What are two major problem areas in using regression analysis for evaluating relevant industry factors in investment decision making?