CMR INSTITUTE OF TECHNOLOGY, BENGALURU

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Internal Assesment Test - I

Sub:	Security Analysis and Portfolio Management							Code:	22MBAFM304
Date:	15-04-2025	Duration:	1.30 Hr	Max Marks:	50	Sem:	III	Branch:	MBA

SET- I

		Marks	OBE CO	OBE RBT
	Part A - Answer Any Two Full Questions (2* 20 = 40 marks)			
1 (a)	Recall the term Operational Efficiency.	[03]	CO4	L1
(b)	Justify the Company analysis in detail with examples.	[07]	CO3	L5
(c)	Calculate the securities that are overpriced and those that are under priced in terms of SML.Assume you are a portfolio manager. Based on the following details, determine the above pricing.	[10]	CO4	L3

Security	Actual Return	β	σ
A	0.33	1.7	0.50
B	0.13	1.4	0.35
C	0.26	1.1	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
T-bills	0.09	0	0.0

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2 (a)	Describe the steps in Traditional Approach in Portfolio Construction.	[03]	CO4	L1
(b)	Illustrate the Dow Theory in detail by considering the Technical Analysis.	[07]	CO3	L4
(c)	Solve the case. Use Sharp Index Model under Portfolio Evaluation. Nithya firm is trying to decide two out of the four investment funds. From the past performance, they were able to calculate the following average returns and standard deviations of these funds. The current risk free rate of interest is 9 percent.	[10]	CO4	L3

	Alpha Fund	Vinu Fund	Meenu Fund	Arvind Fund
Average Return	17	18	16	14
Standard Deviation	19	20	13	12

3 (a)	Describe the problems of Vast Diversification.	[03]	CO4	L1
(b)	Classify between Technical Analysis and Technical Analysis.	[07]	CO3	L4
(c)	Outline the Fundamental Analysis in detail.	[10]	CO3	L4
	Part B - Compulsory (01*10=10 marks) – CASE STUDY			

4	Derive the following data from the below case. A financial analyst is analyzing two investment alternatives, stock Z and stock Y. The estimated rates of return and their chances of occurrence for the next year are given below:	[10]	CO4	L5

Probability of occurrence	Rate of Returns (%)	
	Y	Z
0.20	22	5
0.60	14	15
0.20	-4	25

a) Determine expected rate of return, variance, and standard deviation of Y and Z.
b) Is 'Y' comparatively riskless?
c) If the financial analyst wishes to invest half in Z and another half in Y, would it reduce the risk? Explain.

Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1:	Understand the capital market and various Instruments for Investment.									
CO2:	Assess the risk and return associated with investments and methods to value securities.									
CO3:	Analyze the Economy, Industry and Company framework for Investment.				1b, 2b, 3b, 3c				1b, 2b, 3b, 3c	
CO4:	Learn the theories of Portfolio management and also the tools and techniques for efficient portfolio management.		1a, 1c, 2a, 2c		3a, 4					1a, 1c, 2a, 2c, 3a, 4

Cognitive level	KEYWORDS
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3 - Apply	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4 - Analyze	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5 - Evaluate	asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6 - Create	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–*Theoretical Knowledge;* PO2–*Foster Analytical and Critical Thinking Abilities for data-based decision making;*
PO3– *Develop Value Based Leadership;* PO4 –*Ability to Understand and communicate various business aspects to global;*
PO5 – *Ability to lead themselves and others in the achievement of organizational goals contributing effectively to a team environment;*
PSO1- *Comprehend Contemporary features of Business Management Science and its administration*
PSO2- *Analyze and interpret the dynamic situations for making Business Management strategies*
PSO3- *Handle responsibility with the ethical values for all actions undertaken by them*
PSO4- *Adapt and focus on achieving the organizational goal and objectives with complete zeal and commitment.*

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SCHEME OF EVALUATION
Internal Assessment Test 1– 2025

Sub: SAFM **Code:** 22MBAFM304

Date: 15-4-25 Duration: 90mins Max Marks: 50 **Sem:** III **Branch:** MBA

Note: Part A - Answer Any Two Full Questions (20*02=40 Marks)

Part B - Compulsory (01*10= 10marks)

Part	Question #		Description	Marks Distribution		Max Marks
A	1	a)	Operational Efficiency Business metrics that measures how well a company uses its resources to produce goods or services.	3 M	3	20 M
		b)	Company Analysis: ✓ understanding the Co. ✓ Financial Analysis. ✓ Macroeconomic factors ✓ Corporate Governance ✓ Growth Prospects	3 M for points & 4 M for Explanation.	7	
		c)	$R_i = 0.158$ A - under priced B - over priced C - under priced D - over priced E - under priced F - under priced	3 M for calculation & 7 M for remarks.	10	

		a)	Portfolio construction → Constraints → Objectives determination → Selection of portfolio → Assessment of risk factor → Diversification	3 M for points	3	
	2	b)	Dow Theory - Technical → Movement of the indices → Assumptions → Trend: ✓ Primary ✓ Secondary ✓ Short term / minor.	3 M for points & 4 M for explanation	7	20 M
		c)	Sharpe Index = $\frac{R_p - R_f}{\sigma_p}$ AF = 0.421 VF = 0.45 ✓ MF = 0.538 ✓ A.F = 0.417 Advice: Meenu fund & Vinu fund	8 M for calculation & 2 M for Advice	10	

	3	a)	Vast diversification spreading the investment across a large number of different asset classes, industries and geographic regions to reduce risk.	3 M for Explanation	3	20 M
		b)	Technical Analysis & Fundamental Analysis ✓ FA – Financial Strength TA – Past history of prices ✓ FA – Intrinsic value TA – Short term movements ✓ FA – SS & DD determinants TA – forecast SS & DD by studying the prices and volume of trading	4 M for key points for Explanation	7	
		c)	Fundamental Analysis: ✓ Economic Analysis ✓ Industry Analysis ✓ Company Analysis	4 M for points 6 M for Explanation	10	

B	4	a)	Expected Rate of Return $R_Y = 12$; $R_Z = 15$ $\sigma_Y^2 = 51.2$; $\sigma_Z^2 = 40$ $\sigma_Y = 8.6$; $\sigma_Z = 6.32$	5 m for Part A., 2 m for Part B & 3 m for Part C	10	10 M
		b)	Security Z.			
		c)	Cov $= -0.52$ $\rho = -0.96$ $\sigma_P = 1.54$			