M.B.A SEMESER-4
APRIL-2016
SECURITY ANALYSIS AND INVESTMENT MANAGEMENT
PAPER NO.404
SUBJECT CODE: 4775

Marks: 70

TIME: 2:30

Instructions: (1) Attempt all questions
(2) Marks are given against each question

Q.1 Explain the relationship between the new issue market and stock exchange. Also explain the role of new issue market (14)

OR

Q.1 Explain the financial and economic meaning of investment. Also explain the determinants which are favourable for investment in India (14)

Q.2 Write a note on any two (14)

1. factors to consider when making a real estate investment

2. Mechanism of Purchase of Shares and sales of shares

3. Types of Orders

4. Advantages and disadvantages of Margin trading

Q.3 (A) A share that has a face value of Rs.1 is expected to pay a dividend of 20% at the end of year1. Its growth rate in dividend is estimated to be 8%. If the investor has a required rate of return of 12%, what would be the value of the equity share? (7)

(B) XYZ company issues Rs.1,000 par value bond at 12 percent. The bong is redeemable after 10 years. Determine value of bond assuming required rate of return is 14 percent. (7)

P.V. factor @ 14% of Rs.1 is given below

Year	1	2	3	4	5	6	7	8	9	10
P.V.Factor	0.877	0.769	0.675	0.592	0.519	0.456	0.4	0.351	0.308	0.270

OR

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Q.3. (A) the following information is available for Gujarat Ltd. (7)

1. Earning per share : Rs. 5
2. Rate of capitalization: 16 percent.
3. Assuming that Gordon valuation model holds, what rate of return should be earned on investments to ensure that the market price is Rs. 50 when the dividend payout is 40 percent?

(B) A firm pays a dividend of Rs.3 with a 10% growth rate, the risk free rate is 6% and market rate of return is 12%. The firm has a beta factor of 1.50. (a) What would be the value of the share? (a) If beta increases to 2 (7)

Q.4 Explain what is meant by saying that the market behaves as a random walk. Also explain in detail the three forms of efficient market hypothesis (14)

OR

Q.4. Distinguish between Fundamental analysis and technical analysis? Also explain efficient market hypothesis in detail (14)

OR

Q.4. State the meaning, rationale, procedure and limitations of fundamental analysis. (14)

Q.5 what is portfolio management? Explain Modern portfolio theory given by Harry Markowitz (14)

OR

Q.5 (A) Write a note on capital asset pricing model (7)

(B) The average market prices and dividend per share of MAHARATRA LTD. for the past 6 years are given below. (7)

Year	Average market price (Rs.)	Dividend per share (Rs.)
2004-05	68	3.00
2003-04	61	2.60
2002-03	50	2.00
2001-02	53	2.50
2000-01	45	2.00
1999-00	38	1.80

Calculate the average rate of expected return of MAHARASHTRA's shares for past 5 years

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