

Code : 302503

B.B.A. 5th Semester Examination, 2016

Security Analysis and Portfolio Management

Time : 3 hours

Full Marks : 60

Instructions :

(i) There are 7 questions in this paper. All paper carry equal marks.

(ii) Attempt 5 questions in all.

(iii) Question nos. 1 and 2 are compulsory.

1. Multiple choice question (Answer any six question)

6×2=12

✓ 1. According to the Dow Theory, daily fluctuations and secondary movements in the stock market are used to identify the:

- | | |
|---------------------|---------------------|
| a. Short term trend | b. Primary Trend |
| c. Moving Average | d. Seasonal Pattern |

2. According to the single index model, the inflation risk is an example of the :

- Diversifiable risk
- Risk not related to the common factor
- Total risk
- Systematic risk

3. If you can use _____ information to earn abnormal returns consistently, then the market cannot be _____ form efficient.

- | | |
|----------------------------|------------------------|
| a. Public, weak | b. Private, weak |
| c. Private, semi-strong | d. Public, semi-strong |

4. Using futures contracts to transfer price risk is called:

- | | |
|---------------------------|----------------|
| a. Diversifying | b. Hedging |
| c. Speculating | ✓ d. Arbitrage |

5. Which of the following is a major difference between swaps and futures contracts?

- ✓ A futures contract involves only one future transaction, whereas a swap typically involves several future transactions.
- Swaps are derivative securities, but futures contracts are not.
- Swaps are typically short term, whereas futures contracts tend to extend over several years.
- Swaps are usually marked to market, whereas futures contracts are not.

6. Which component of the investment process is involved in establishing the investment policy?

- Strategy monitoring
- Strategy implementation
- Investment vehicles

- ~~d.~~ Investor characteristics
7. What is used to quote the rates on Eurodollar deposits?

- ~~a.~~ LIBOR
- b. Repo rate
- c. Federal funds rate
- d. Discount rate

8. Which of the following types of assets is least risky?

- a. Stocks
- ~~b.~~ Long-term corporate bonds
- c. Options and futures
- d. Short-term corporate bonds.

9. If an asset's expected return plots above the security market line, the asset is

- a. Fairly priced (if it has usually large amount of unique risk)
- b. Under priced
- ~~c.~~ Over priced
- d. Both the first and third answer

- ~~10.~~ Which of the following statements is false?

- a. Specialists stand ready to execute at least a minimum number of market orders at quoted bid and asked prices.
- b. Specialists run the limit order book

- c. Specialists earn income from commissions and spreads in stock prices

- ~~d.~~ Specialists cannot trade for their own accounts

2 Short answer type questions (answer any three)

3×4=12

- ✓ 1. What are the characteristics that an investor would like to have in an investment option explain in brief.
- ✓ 2. What is the goal of fiscal policy?
3. Describe the candlestick chart.
- ✓ 4. Explain the weak form of efficient market hypothesis.
5. How much money is required to buy futures contract?

Long answer type (answer any three):

12×3=36

- ✓ 3. Describe the various characteristics of an industry that an analyst must consider while doing industry analysis.
- ✓ 4. Write short notes on :
- ~~a.~~ Support and Resistance pattern
- ~~b.~~ Call Option
5. How many parameters must be estimated to analyse the risk-return of a 50 stock portfolio using (a) the original Markowitz model, and (b) the Sharpe single index model?
6. Hedgers, speculators, and arbitrageurs are three types of futures traders. For each type, explain what would motivate the trader to open a long futures position.
- ✓ 7. Write short notes on :
- ~~a.~~ Efficient frontier
- ~~b.~~ Badla Contracts
