**MASTER OF BUSINESS ADMINISTRATION (MBA)**

**DFIN301 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT**

**Assignment Set – 1**

**1. Explain the characteristics of investment. What are the common mistakes made by investors in investment management?**

**Ans: Characteristics of Investment**

While choosing an investment, an investor should know the features to look for. The prominent features are:

**Rate of return**

When we invest, we defer current consumption in order to accumulate our wealth. Return on investment is the change in the wealth either resulting from an investment, due to cash inflow (annual income in the form of dividends / interest) or caused by a change in the price of the asset (capital appreciation / depreciationIts Half solved only

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**2. Discuss the following:**

**a) Primary market and Secondary market**

**Ans: In primary market,** a borrower offers new securities in exchange for cash from the investor (buyer). Sales of bonds, treasury bills or stocks take place in primary markets. The issuers of these securities – corporates, the government – receive cash from people who buy these

**b) Money market and Capital market**

**Ans: Money market instruments are:**

**Treasury bills:** These are short-term obligations issued by the government. At present, the Government of India (GOI) issues 4 types of T-Bills i.e., 14-day, 91-day, 182-day and 364-day. They are issued for a minimum amount of $25,000 and in multiples of $25,000. T-Bills are issued at a discount

**3. The distribution of returns for share P and the market portfolio M is given below:**

|  |  |
| --- | --- |
| ***Probability*** | ***Return (%)*** |
| ***P*** | ***M*** |
| ***0.3*** | ***10%*** | ***15%*** |
| ***0.2*** | ***20%*** | ***25%*** |
| ***0.2*** | ***-10%*** | ***-5%*** |
| ***0.3*** | ***30%*** | ***20%*** |

**You are required to calculate the expected return and risk of security P and the market portfolio.**

**Assignment Set – 2**

**4. Compare the fundamental and technical analysis techniques.**

**Ans: Differences between fundamental and technical analysis:**

**1. Charts vs. financial statements:**

A technical analyst approaches a security via the charts, while a fundamental analyst studies the financial statements. Technical analysis is the study of price action and trend, while fundamental analysis focuses the company’s performance in the backdrop of industry and economy conditions.

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**5. An Investor has invested 60 % of his money in security A and 40% in security B. calculate the expected return and expected risk of his portfolio if the details of security A and B is given below:**

|  |  |
| --- | --- |
| ***Probability*** | ***Return(%)*** |
| ***A*** | ***B*** |
| ***0.2*** | ***15%*** | ***15%*** |
| ***0.3*** | ***20%*** | ***25%*** |
| ***0.2*** | ***-10%*** | ***5%*** |
| ***0.3*** | ***30%*** | ***20%*** |

**If correlation coefficient between A and B is a) r = 1, b) r = -1**

**Answer:**

**6. Discuss the following:**

**a) Capital Asset Pricing Model (CAPM).**

**Ans:** Capital asset pricing means defining an appropriate risk-adjusted rate of return for a given asset. Capital Asset Pricing Model (CAPM) is a model that helps in this exercise.

William Sharpe, Treynor and Lintner contributed to the development of this model. An important consequence of t