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| **SESSION** | **AUG/SEPT 2023** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **III** |
| **COURSE CODE & NAME** | **DFIN301 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT** |
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**Assignment Set – 1**

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

**Ans 1.**

Investment is a critical aspect of financial planning, involving the allocation of resources, often money, with the expectation of generating income or profit. Understanding the characteristics of investment and the common mistakes made by investors is essential for effective investment manageme

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**2. Discuss the following:**

**a. Primary market and Secondary market**

**b. Money market and Capital market**

Ans 2.

**a. Primary Market and Secondary Market**

In the financial ecosystem, the **Primary Market** and **Secondary Market** play pivotal roles, each serving distinct functions. The Primary Market is where securities are created and sold for the first time. It's a market for new issues, where governments or corporations raise capital by issuing stocks, bonds, or other financial instruments directly to investors. The process includes initial public offerings (IPOs), private placements, and rights issues. This market is crucial

**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%** |

**Ans 3.**

**Theory of Portfolio Returns and Risks**

**Expected Return**: The expected return of an investment is a weighted average of the possible returns, where the weights correspond to the probabilities of each outcome. This measure provides an estimate of the average return an investor might expect over a period of time.

**Risk and Volatility**: In financial terms, risk is often quantified as the standard deviation of returns. A higher

**Assignment Set – 2**

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

**Ans 4.**

Security analysis is a method used by investors and financial analysts to evaluate the potential for profit in a security, such as stocks or bonds. There are two main approaches to this analysis: fundamental analysis and technical analysis. Each technique offers a different perspective on the investment

**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%** |

**Ans 5.**

To calculate the expected return and expected risk of the investor's portfolio, we need to first determine the expected return for each security and then calculate the overall expected return and variance (as a measure of risk) for the portfolio.

**Expected Return for Each Security**

The expected return for a security is calculated by multiplying each possible return by its probability and summing up

**6. Discuss the following :**

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

**b. Systematic (Market) and Unsystematic (Unique) Risk**

**Ans 6.**

**Capital Asset Pricing Model (CAPM)**

The Capital Asset Pricing Model (CAPM) is a foundational concept in modern finance, developed initially in the 1960s by William Sharpe, John Lintner, and Jan Mossin. It describes the relationship between expected return and risk in a security or portfolio. CAPM posits that the