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| **SESSION** | **March 2023** |
| **PROGRAM** | **Master of Business Administration** |
| **SEMESTER** | **III** |
| **course CODE & NAME** | **DFIN301– Security ANALYSIS and Portfolio Management** |
| **CREDITS** | **4** |
| **nUMBER OF ASSIGNMENTS & Marks** | **02**  **30 Marks each** |

**Assignment Set – 1**

**1(A) Explain the common mistakes in investment.**

**Ans 1a.**

Investment mistakes are common, and even experienced investors can make them. Here are some of the common mistakes investors make:

**Lack of Research:** One of the biggest mistakes is investing without proper research. Many investors jump into investments based on tips, rumors, or emotions without thoroughly understanding the fundamentals, risks, and potential returns of the investment.

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**1(B) Discuss the process of financial planning for solid financial success**

**Ans 1(B)**

Financial planning is a crucial process for achieving solid financial success. It involves creating a roadmap to manage your finances effectively, meet your financial goals, and secure your financial future. Here are the key steps involved in the process of financial planning:

**Set Clear Financial Goals:** Start by identifying your short-term, medium-term, and long-

**2 Describe the economic and industry analysis in fundamental analysis.**

**Ans 2.**

Fundamental analysis is a method used by investors to evaluate the value of a company's stock and make informed investment decisions. It involves analyzing various aspects of a company, including its financial statements, industry trends, and the overall economic environment. Economic and industry analysis are two crucial components of fundamental analysis as they provide insights into the external factors that can impact a company's

**3 (A) Describe the forms of Efficient Market Hypothesis (EMH).**

**Ans 3(A)**

The Efficient Market Hypothesis (EMH) is a theory in finance that suggests that financial markets are efficient and that it is not possible to consistently achieve above-average returns through trading strategies or by analyzing publicly available information. There are three main forms of the Efficient Market Hypothesis:

**Weak Form Efficiency:** According to the weak form of EMH, financial markets are efficient

**3 (B) Explain the Components of Capital Market.**

**Ans 3b.**

The capital market is a financial market where individuals and institutions trade financial securities, such as stocks, bonds, and derivatives. It plays a crucial role in mobilizing and allocating long-term funds for businesses, governments, and other entities. The capital market consists of several components, which are as follows:

1. Primary Market: The primary market is where newly issued securities are bought and

**Assignment Set – 2**

**4. Explain the benefit and criticism of Markowitz Model**

**Ans 4**

**Benefits Markowitz Model**

• Investment in multiple securities:

• Investment in multiple securities creates habits of saving among people. It helps to protect the securities from taxes and inflation. It helps to maximise the revenue and income of investors by making their investments in multiple

**5 Calculate the Portfolio Return and Risk as per Single Index Model if Market return is 15%. Market Variance = 320 with the following data.**

Security Weightage Alpha Beta Residual Variance

A 0.2 2 1.7 370

B 0.1 3.5 0.5 240

C 0.4 1.5 0.7 410

D 0.3 0.75 1.3 285

**Ans:**

In the single index model, we calculate the portfolio return and portfolio risk using the following formulas:

Portfolio Return (Rp) = Σ[Wi\*(Alpha + Beta\*Rm)]

Where:

* Wi is the weight of security i in the portfolio
* Alpha is the alpha of security i

**6(A) A security pays a dividend of ₹. 4 and sells currently @ ₹. 123. The Security is expected to sell at ₹ 150 at the end of the year. The security has a beta of 1.15. The risk-free rate is 6% and the expected return of the market is 12 %. Assess whether the security is correctly priced or not based on CAPM.**

**Ans 6a.**  
To assess whether the security is correctly priced or not based on the Capital Asset Pricing Model (CAPM), we first need to calculate the expected return of the security using the CAPM formula and then compare it with the actual return.

The CAPM formula is:

Expected Return = Risk-Free Rate + Beta \* (Market Return - Risk-Free Rate)

**6 (B) Explain the Benefit of Mutual funds.**

**Ans 6(B)**

**Benefit of Mutual funds**

Diversification: Mutual funds allow individual investors to gain exposure to a diversified portfolio of investments, such as stocks, bonds, and other assets. By investing in a mutual fund, one can own a small portion of each security within the fund's portfolio. This diversification can help reduce the risk associated with investing in a single security.

**Professional Management:** Mutual funds are managed by professional fund managers who