PG – 755

## Second Semester M.F.A. Examination, June 2016
## (Semester Scheme)
## FINANCE AND ACCOUNTING
## Paper – 2.4 : Securities Analysis and Portfolio Management

Time : 3 Hours Max. Marks : 80

SECTION – A

1. Answer **any ten** questions in about **3-4** lines. **Each** question carries **2** marks : **(2×10=20)**

   a) What are the objectives of investment ?

   b) What is co-relation between two securities ?

   c) What are colour portfolios ?

   d) What are risk-free assets ?

   e) Define duration of bonds.

   f) Mr. A buys a share and holds it for a year. He expects a dividend of Rs. 2 next year. He sells the share at an expected price of Rs. 21. If the required rate of return is 15%, what is the present value of the share ?

   g) What is non-diversifyable risk ?

   h) What are zero coupon bonds ?

   i) What is immunisation ?

   j) What are defensive shares ?

   k) What is Security Market Line ?

   l) Distinguish between business risk and financial risk.

SECTION – B

Answer **any three** questions in about **one page each. Each** question carries **5** marks : **(3×5=15)**

2. What are bonds ? Explain different types of bonds.

3. What is portfolio revision ? Explain the types of formula plans used in portfolio revision.

4. What is Term-structure of interest ? Explain the theories covered under Term-structure of interest.

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5. ABC Ltd. is currently paying a dividend of Rs. 2.75 per share. It is expected that the earnings and dividends of the company are likely to grow at 8% over the next 5 years and stabilise there after 5%. What is the present value of the shares if the required rate of return is 20% ?

6. The Government of India is proposing to sell a 5 year bond of Rs. 1,000 at 8% coupon rate. The bond will be amortised equally over its life. If an investor has a minimum required rate of return of 7%, what is the present value of the bond ?

## SECTION – C

Answer **any two** questions in about **3 pages each**. **Each** question carries **15** marks : **(2×15=30)**

7. Explain in detail the Dows theory and how it is used to determine the direction of stock market ?

8. What is the role of RBI in security market ?

9. Explain the Bond Value theories with examples.

10. From the following particulars, determine the yield to maturity (ytm) and volatility of the bond :

    Face Value – Rs. 1,000, Coupon interest – 16% PA payable annually, years to maturity – 6 years.

    Redemption Value – Rs. 1,000, current market price – Rs. 964.50.

## SECTION – D

11. **Compulsory** : **15**

    The following information is provided regarding the performance of funds namely Birla Advantage, Sundaram Growth Fund and Sun F and C Value for a period of 6 months ending Aug. 2010. The risk free rate of interest is assumed to be 9%. Rank the funds under :

    1) Sharpe Index and
    2) Treynors index.

| **Fund** | $R_p$ | $Q_p$ | $\beta$ |
|---|---|---|---|
| Birla Advantage | 25.38 | 4 | 0.23 |
| Sundaram Growth | 25.11 | 9.01 | 0.56 |
| Sun F and C Value | 25.01 | 3.55 | 0.59 |

## II Semester M.F.A. Examination, June 2015
## (CBCS)
## FINANCE AND ACCOUNTING
## Paper – 2.4 : Securities Analysis & Portfolio Management

Time : 3 Hours  Max. Marks : 70

### SECTION – A

Answer **any seven** questions out of **ten**. **Each** question carries **two** marks. **(7×2 = 14)**

1. a) Define new issue market.

   b) What is yield curve ?

   c) What are leveraged portfolios ?

   d) What are heads and shoulders ?

   e) What is minimum portfolio risk ?

   f) What is call money market ?

   g) What is coefficient of determination ?

   h) What are negotiable securities ? Give examples.

   i) What is security analysis ?

   j) What is meant by In-the-money in a call option ?

### SECTION – B

Answer **any four** out of **six**. **Each** question carries **five** marks. **(4×5 = 20)**

2. Bring out the differences between investment and speculation.

3. An investor purchases a bond at a price of Rs. 900 with Rs. 100 as coupon (interest) payment and sells the bond for Rs. 1,000.

   a) What is the holding period return ?

   b) If the bond is sold for Rs. 750 after receiving Rs. 100 as coupon payment, then what is the holding period return ?

4. Distinguish between efficient frontiers and efficient portfolios.

5. Discuss the impact of changes in interest rates and inflation rate on bonds.

6. Following data gives the market return and A Ltd. Scrip's return for a particular period.

| | I | II | III | IV | V | VI | VII | VIII | IX |
|---|---|---|---|---|---|---|---|---|---|
| **Scrip A Ltd. return** | 0.70 | 0.50 | 0.60 | 0.50 | 0.60 | 0.80 | 0.50 | 0.80 | 0.40 |
| **Index Return** | 0.30 | 0.60 | 0.30 | 0.60 | 0.40 | 0.50 | 0.60 | 0.30 | 0.50 |

Find Beta and Alpha of A Ltd. Scrip.

7. What are the assumptions of CAPM ? Distinguish between CML and SML.

## SECTION – C

Answer **any three** of the following questions. Each question carries **twelve** marks. **(3×12=36)**

8. Explain in detail Dows theory and how it is applicable to determine the direction of stock market.

9. Stocks X and Y display the following return over the past three years.

| **Year** | **Return %** | |
|---|---|---|
| **Year** | **X** | **Y** |
| **2012** | 14 | 12 |
| **2013** | 16 | 18 |
| **2014** | 20 | 15 |

a) Determine the expected rate of return on portfolio made up of 40% of X and 60% of Y.

b) What is the standard deviation of each security ?

c) Determine the portfolio risk of a portfolio made up of 40% of X and 60% of Y.

10. For the first four years A Ltd. is assumed to grow at a rate of 10%. After 4 years, the growth rate of dividend is assumed to decline linearly to 6%. After 9 years, the company is assumed to grow at 6% indefinitely. The next year dividend is Rs. 2 and the required return is 14%. Find out the value of the stock.

11. Explain the sharpe index model. How does it differ from Mancowitz model.

12. A Ltd. and B Ltd. have the following expected risk and return inputs for the following years.

| Year | Return % | Variance $\sigma^2$ % |
|---|---|---|
| A Ltd. Iyr | 15 | 16 |
| B Ltd. IIyr | 18 | 25 |

Portfolio risk (standard deviation) for a portfolio of 50% in each asset is 4.03. Determine the correlation coefficient that will be necessary to reduce the level of portfolio risk by 75%.

What is the expected return of the equally weighted portfolio [50% of A Ltd. and 50% of B Ltd.?

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