

II Semester M.Com. (FA)/MFA Examination, July 2017
(CBCS)

Paper – 2.4 : SECURITIES ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours

Max. Marks : 70

Instruction : Answer *all* the Sections.

SECTION – A

Answer **any seven** sub questions of the following. **Each** question carries **two** marks.

(7×2 = 14)

1. a) What are the types of financial assets ?
- b) What is fundamental analysis ?
- c) What is discounted cash flow model ?
- d) What is a non marketable financial asset ?
- e) What is security market line ?
- f) How expected rates of return are calculated ?
- g) Distinguish between arbitrage and hedging.
- h) Define portfolio insurance.
- i) What is earning multipliers ?
- j) What is the objective of company analysis ?

SECTION – B

Answer **any four** of the following. **Each** question carries **five** marks.

(4×5 = 20)

2. Explain the three forms of efficient market hypothesis.
3. What are the assumptions of portfolio theory ? Explain.
4. Write a note on international portfolio management.

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5. For the first 4 years XYZ firm 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 7 years the firm is assumed to grow at a rate of 6% infinitely. The next year dividend is Rs. 2 and the required rate of return is 14%. Find out the value of the stock.
6. A stock is currently selling for Rs. 60. The call option on the stock exercisable a year from now is available at an exercise price of Rs. 55. The stock can rise by 35%, and it can fall by 30%. The risk free rate of interest is 12 percent. What is the value of the call option ?
7. How many inputs are needed for a portfolio analysis involving 40 securities for short pay and Markowitz models ? Explain.

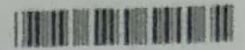
SECTION – C

Answer **any three** of the following questions. **Each** question carries **twelve** marks.

(3×12 = 36)

8. Discuss the concept of an Industry Life Cycle by describing each of its four phases with suitable industrial examples. In which phase of the life cycle, investments in an industry are most attractive and why ?
9. Discuss the constant growth dividend discount model and explain the impact of growth on price, dividend yield, capital gains yield and price earnings ratio.
10. A mutual fund analyst has collected the following past performance reports of 5 funds and the Sensex. Based on the given below information calculate Sharpe's ratio and Jensen's ratio. Assume that the risk free rate is 7%. Explain the behaviour of rankings.

	Return (%)	Standard Deviation	Beta
A	16.5	25.6	1.25
B	15.3	20.5	0.95
C	9.5	15.8	0.85
D	22.5	16.5	1.15
E	18.5	13.5	1
Market	14.0	13.5	1.00



11. Given below is the Market information of market rates of return and data from two companies A and B (%).

	Year 2014	Year 2015	Year 2016
Market	12.0	11.0	9.0
Company A	13.0	11.5	9.8
Company B	11.0	10.5	9.5

Determine the Beta coefficients of the shares of the company A and B.

12. Determine portfolio risk involved with the help of following information :

No.	Scrip Name	Weight of Scrip (%)	Standard Deviation (%)	Correlation between A & B
1	A	60	25	+0.65
2	B	40	20	