II Semester M.Com. (F.A.) Examination, June/July 2018
(CBCS) (Semester Scheme)

Paper – 2.4 : SECURITIES ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any seven** sub-questions. **Each** question carries **two** marks : (7×2=14)

1. a) Distinguish systematic and unsystematic risk.

   b) What is pre-emptive right of shareholders ?

   c) What is the breadth of the market ?

   d) What is meant by riding the yield curve ?

   e) Bring out the significance of P/E ratio.

   f) What are oscillators under technical analysis ?

   g) Define efficient frontiers.

   h) State any two assumptions under Arbitrage theory.

   i) What is the significance of formula plans ?

   j) Who are liquidity traders ?

SECTION – B

Answer **any four** of the following questions. **Each** question carries **five** marks : (4×5=20)

2. Bring out the differnces between investment and speculation.

3. Ram is considering purchase of two securities A and B. The estimated returns and their probabilities are as under

Probability	Securities Return %	
	A	B
0.25	10	8
0.45	12	14
0.30	13	12

Determine :

a) Average rate of returns of stocks

b) Standard deviations.

4. Explain the utility of economic analysis and state the factors to be examined.

5. The following information is provided regarding the performance of mutual funds A, B and C for a period of 6 months. The risk free rate of interest is 9%. Rank the funds under sharps index method.

Fund	Rp% (Expected Return)	σp (Standard deviation)	β (Beta)
A	25.38	4.00	0.23
B	25.11	9.01	0.56
C	25.01	3.55	0.59

6. Stocks are considered risky, but bonds are not. Discuss.

7. Bring out the differences between forward contracts and futures contract.

SECTION – C

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

8. The returns of ABC Ltd. at present is 21%. This is assumed to grow for the next 5 years at 21%. After that it is assumed to have a growth rate of 10% perpetually. The dividend paid for the year 2015-16 is 32%. The required rate of return is 20%. Face value of equity shares Rs. 10.

What is the estimated price according to two stage model ?

9. Dow's theory is a useful tool to trace the trend of stocks in the market. Discuss.

10. Discuss the role of Securities and Exchange Board of India as a market regulator.

11. X Ltd. and Y Ltd. have the following expected risk and return inputs for the next year.

    Expected return (ER_X) = 15%, standard deviation = 4%

    Expected return (ER_Y) = 18%, standard deviation = 5%

    Correlation coefficient (r_{XY}) = 0.60.

    a) Determine the expected return (ER_p) of the portfolio with equal proportion of the stocks X and Y.

    b) Portfolio risk with the above proportion.

    c) Determine the correlation coefficient that will be necessary to reduce the portfolio risk by 75%.

12. An investor wants to build a portfolio with the following four stocks. From the following particulars, determine the portfolio return and risk with equal proportion of stocks.

Company	**Alpha (α)**	**Beta (β)**	**Residual variance**
A Ltd.	0.17	0.93	45.15
B Ltd.	2.48	1.37	132.25
C Ltd.	1.47	1.73	196.28
D Ltd.	2.52	1.17	51.98

Market return (R_m) = 11%

Market return variance = 26.
