



SRN – 04

M.Com. (Semester – II) Examination, April 2017  
COC204 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT (OA – 18)  
(New)

Duration : 3 Hours

Max. Marks : 60

- Instructions :** 1) This paper consists of **nine** questions carrying **equal** marks.  
2) Question No. 1 consists of **5 compulsory** questions of **2 marks each**.  
3) Answer **any 5** questions from question 2, 3, 4, 5, 6, 7, 8 and 9.  
4) **Each** question carries **10** marks. Figures to **right** indicate marks.  
5) Present value tables will be provided on request.

1. Answer the following in brief : (5×2=10)
- What is Capital Market Line ?
  - What is Arithmetic Average Returns ?
  - What do you mean by EIC analysis ?
  - What is Markowitz Diversification strategy ?
  - Consider the following information for an equity stock. The price at the beginning of the year is ₹ 60, dividend paid at the end of the year ₹ 2.40, price at the end of the year ₹ 69. What is the total return on this stock ?
2. What is Industry analysis ? Explain Industry Life Cycle theory. 10
3. Explain Capital Asset Pricing Model. 10
4. What is meant by duration ? Explain the relationship between duration and price change. 10
5. What is Technical analysis ? Explain the stock price movements in terms of the Dow Theory. 10
6. A corporation has a 14 percent bond, with a face value of ₹ 100 which matures in 15 years. The bond is callable in 5 years at ₹ 114. This bond currently sells for ₹ 105. Calculate each of the following for the bond.
- Current yield.
  - Yield to call
  - Yield to Maturity. 10

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7. Given the following information:

Portfolio	A	B	C	D
Beta	1.1	0.8	1.8	1.4
Return (per cent)	14.5	11.25	19.75	18.5
Standard Deviation(per cent)	20.0	17.5	26.3	24.5

Risk free rate of return is 6 per cent, Market return is 12 per cent.

Calculate Sharpe, Treynor's and Jensen measure.

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8. From the following details, determine the securities that are overpriced and those that are underpriced in terms of the Security Market Line.

Security	Actual Return	$\beta$	$\sigma$
A	0.33	1.7	0.50
B	0.13	1.4	0.35
C	0.26	1.1	0.40
D	0.12	0.95	0.24
E	0.21	1.05	0.28
F	0.14	0.70	0.18
Nifty Index	0.13	1.00	0.20
T Bills	0.09	-	-

Also find out the expected return when a portfolio is constructed by using equal portions of six stocks.

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9. The market return and the returns on the equity stock of Pearl's Limited for a certain period are given below :

Index Return $R_m$	0.5	0.6	0.5	0.6	0.8	0.5	0.8	0.4	0.7
Pearls Return $R_i$	0.3	0.6	0.4	0.5	0.6	0.3	0.7	0.5	0.6

What is the beta value of the Pearl Ltd. company ?

10