RPN – 06

M.Com. (Semester – II) Examination, November 2017
COC 204 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
(OA – 18)

Duration : 3 Hours Total 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. **Figure** to **right** indicate marks.*
5) *Present value tables will be **provided** on request.*

1. Answer the following in brief : (5×2=10)
   a) What is Beta in security analysis ?
   b) What are the different types of fixed income securities ?
   c) What is Random Walk Theory ?
   d) What do you mean by constant rupee plan ?
   e) An investor had purchased a bond at a price of ₹ 800 with a coupon payment of ₹ 150 and sold it for ₹ 1,000. What is his holding return ?

2. What is Systematic Risk ? How does it affect the individual stock return ? 10

3. What is company analysis ? Explain the factors relevant for company analysis. 10

4. What is Bond Price ? Explain the relation between YTM, Bond price and coupon rate. 10

5. Define Markowitz diversification model. Explain the method used by Markowitz model to reduce risks. 10

6. a) A ₹ 100 per value bond bearing a coupon rate of 14 percent will mature after 6 years. What is the value of the bond, if the discount rate is 15 percent ? 4
   b) You decide to buy 1000 shares of a IT company with the intention of selling out at the end of 5 years. The company will pay ₹ 4.50 per share as dividends for the first three years and ₹ 5.50 per share for the next 2 years. You further estimate that at the end of the 5 years holding period, the shares can be sold for ₹ 90. What would be you be willing to pay today for these shares if your required rate of return is 12 percent ? 6

P.T.O.

7. Following information is available regarding four mutual funds :

Mutual Fund	Return (R)	Risk (σ)	Beta (β)
A	15	7	1.25
B	18	10	0.75
C	14	5	1.40
D	12	6	0.98
E	16	9	1.50

Evaluate performance of these mutual funds using Sharpe ratio and Treynor's ratio. Comment on the evaluation after ranking the funds, given that the risk-free rate is 6 percent. 10

8. Vinay is considering an investment in one of the two securities. From the following information which investment is better based on total risk and expected return. 10

Stock A		Stock B	
Probability	Return (%)	Probability	Return (%)
0.30	19	0.20	22
0.20	15	0.30	6
0.30	11	0.30	14
0.20	16	0.20	5

9. Gold and Co. has common shares outstanding in the market with price earnings ratio of 14. The annual expected growth in earnings, dividend and price is 8 percent. The earning per share is ₹ 3. The dividend payout is 60 percent and the investor wants to hold the stock for 3 years. The required rate of return is 15 percent. What would be the present value ? 10