SRN – 04

M.Com. (Semester – II) Examination, April 2016

COC204 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT (OA-18)

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. 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 do you mean by Fundamental Analysis ?

b) What is Relative Strength Index ?

c) What are the benefits of Rupee Cost Averaging ?

d) An investor buys a bond for ₹ 11,500 and holds investments for 2 years during which time he receives an interest of 10 percent per year from the company. After two years he sells the bond for ₹ 15,000. What is the holding period return ?

e) P Ltd. shares gives a return of 20 percent and B Ltd. shares gives 32 percent return. Mr. Nitin invested 25 percent in P Ltd. shares and 75 percent in B Ltd. shares. What would be the expected return of the portfolio ?

2. Explain the Capital Asset Pricing model and its assumptions. 10

3. What is Risk ? How do you distinguish between Systematic and Unsystematic Risk ? 10

4. Explain in detail the Dow Theory and how is it used to determine the direction of the stock market. 10

P.T.O.

5. The returns on the equity stock of Infosys Limited and the market portfolio over a 11-year period are given below :

Year	1	2	3	4	5	6	7	8	9	10	11
Return on Infosys Ltd. (%)	15	– 6	18	30	12	25	2	20	18	24	8
Return on Market Portfolio	12	1	14	24	16	30	– 3	24	15	22	12

a) Calculate the beta for the stock of Infosys Limited.

b) Establish the characteristics line for the stock of Infosys Limited. **10**

6. The bond of Cee Ltd. Company sells at ₹ 115. They have 11 percent coupon rate of interest and ₹ 100 par value. The interest is paid annually and the bonds have 18 years to maturity. Compute the yield to maturity of the bond. Compare the computed YTM with the coupon interest rate. How do you explain the difference between the current price and the par value of the bond ? **10**

7. The expected rate of return and the possibilities of their occurrence of Dew Company and Raindrop Company Scrips are given below :

Probability of occurrence	Return on Dew's Scrip	Return on Raindrop Scrip
0.05	– 2.0	– 3.0
0.20	9.0	6.0
0.50	12.0	11.0
0.20	15.0	14.0
0.05	26.0	19.0

a) Find out the expected rate of return for Dew and Raindrop Scrips.

b) If an investor invests equally in both the scrips what would be the return.

c) If the proportion is changed to 25% and 75% and then to 75% and 25%. What would be the expected rate of return ? **10**

8. Pandian & Co. has common shares outstanding in the market with price earning ratio of 15. The annual expected growth in earnings, dividends and price is 7 percent. The earnings per share is ₹ 2.5, the dividend payout is 60% and the investor wants to hold the stock for 4 years. The required rate of return is 15 percent. What would be the present value ? **10**

9. Consider the following information for three Mutual Fund A, B, C and the market.

	Fund A	Fund B	Fund C	Return on Market	Risk Free Return
Mean : $\bar{\bar{R}}_p$	17.1	14.5	13.0	11	8.6
Standard deviation : σ_p	28.1	19.7	22.8	20.5	–
Beta β_p	1.20	0.92	1.04	1.00	–

Calculate the Treynor measure, Sharpe measure and Jensen measure for the three mutual funds and the market index. **10**
