SDV – 17

M.Com. (Semester – II)Examination, April/May 2013
CO 204 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Duration : 2 Hours   Total Marks : 50

Instructions :1) **All** *questions are* **compulsory**.
              2) Figures to the **right** *side* **indicate** *the marks.*

1. Answer the following :   (5×2=10)

   a) What is Investment Management ?

   b) What is Yield to Maturity of a Bond ?

   c) What is Security Market Line ?

   d) Treynor's Performance Index.

   e) What is the difference between Call Option and Put Option ?

2. X) What is Industry Analysis ? Explain Industry Life Cycle Theory.   **10**

                            OR

   Y) Define the Efficient Market Hypothesis. Distinguish among three forms of
      market efficiency.

3. X) What is Markowitz 'Efficient Frontier' ? Explain with an illustration.   **10**

                            OR

   Y) How do compute the value of Equity Stock under Constant and Two-Stage
      Growth models ?

4. X) The following details are available with respect to Stock of Company X and
      Company Y :

Probability	Rates of Returns	
	X (%)	Y (%)
0.05	– 2	– 3
0.20	9	6
0.50	12	11
0.20	15	14
0.05	26	19

                                                                    P.T.O.

a) Determine the Expected Return and Standard Deviation of Stock X and Stock Y.

b) If Investor wishes to construct a portfolio by investing 60% of funds in Stock X and the remaining 40% in Stock Y, What would be the Return and Risk of Portfolio of X and Y ?   **10**

OR

Y) A Rs. 100 par value bond bears a coupon rate of 14 percent and matures after 5 years. Interest is payable semi-annually. Compute the value of the bond if the required rate of return is 16 percent.

(**Note :** PVIFA at 8% for 10 years is 6.710, and PVIF at 8% for 10 years is 0.463).

5. X) Consider the following data pertaining to stocks of three Mutual Funds :

Mutual Fund	Mean Return (%)	Standard Deviation (%)	Beta
HDFC	18	26	1.10
DSP Black Rock	14	19	1.00
Reliance	16	23	0.9
Market Index	17	21	1.00

You are required to calculate the Treynor's Ratio, Sharpe Ratio and Jenson's Ratio to evaluate the performance of each fund and comment on the performance of the funds.   **10**

OR

Y) Mr. Ray, an investor is trying to analyze the selection skills of four fund managers. You are an analyst whom he approaches for advice. The relevant data about the funds is given as under :

Fund	Return (%)	Unsystematic risk	Beta
JM Mutual Fund	24.00	$18.00(\%)^2$	1.32
Dundee Mutual Fund	19.32	$17.00(\%)^2$	1.21
Alliance Mutual Fund	18.36	$13.00(\%)^2$	1.09
First India Mutual Fund	21.76	$16.00(\%)^2$	1.11
Market	18.00	–	1.00

The variance on the return from the market portfolio is $324(\%)^2$. The risk free rate of return is 8%.

For the above four fund managers, you are required to find :

a) Return due to selectivity.

b) Which of the above fund managers have exhibited superior selection skills ?