



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 differences between investment and speculation.

P.T.O.



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 :

- Average rate of returns of stocks
 - 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)	σ_p (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 :

(3x12=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.
