PG – 300

III Semester M.Com. Degree Examination, December 2014
(2007-08 Scheme) (NS)
COMMERCE
Paper – F-2 : Securities Analysis

Time : 3 Hours Max. Marks : 80

SECTION – A

Answer **any ten** of the following sub-questions. **Each** sub-question carries **two** marks. **(10×2=20)**

1. a) What are deep discount bonds ?
   b) What are the objectives of valuation of securities ?
   c) What is systematic risk ?
   d) What is yield to call ?
   e) What are warrants ?
   f) What are defensive shares ?
   g) What are formula plans ?
   h) What is Relative Strength Index (RSI) ?
   i) What is the impact of increase in market interest rates on price of the bond ?
   j) What is weak form of efficient market ?
   k) Define term structure of interest.
   l) What does Beta-3 of a security-mean ?

SECTION – B

Answer **any three** of the following questions in about a page. **Each** question carries **five** marks. **(3×5=15)**

2. Explain Investment process.
3. The fund position of ABC Ltd. is as under.
   a) 455000 equity shares of face value Rs.10 – Rs.45,50,000
   b) 95000 preference shares of face value Rs.10 – Rs. 9,50,000

P.T.O.

c) Reserves – Rs. 60,00,000

d) Preference Dividend payable 20% on face value.

e) Profit after tax – Rs. 58,00,000

f) Market value of shares – Rs. 114

Find price earning ratio (P/E).

4. Bring out the differences between forwards and futures contract.

5. Debt securities are less risky compared to ownership securities, discuss.

6. Find the volatility of a bond of face value – Rs. 1,000, coupon interest rate – 8%, maturity period – 4 years and the current yield – 10%.

SECTION – C

Answer **any three** questions in 3 pages. **Each** question carries **15** marks. (3×15=45)

7. Describe the various factors to be considered under fundamental analysis.

8. ABC Ltd's earnings and dividends have been growing at the rate of 18% p.a. The growth rate is expected to continue for the next 4 years. After that the dividend growth will be at 10% for the next 3 years. Where after the dividends grow at the rate of 8% perpetually. The last dividend paid by the company is Rs. 2 per share. Find the value of the shares (present value), if the expected rate of return is 12%.

9. Calculate the durations of bonds A and B with the following particulars.

Particulars	**Bond A**	**Bond B**
Face Value Rs.	1,000	1,000
Coupon interest	7% p.a.	8% p.a.
Years to maturity	4 years	4 years

Both the bonds are currently yielding 6%.

10. Bring out the differences between fundamental analysis and technical analysis.

11. The return on securities A and B are given below.

Probability	**securities** A	**return** B %
0.50	14	12
0.40	12	15
0.10	10	11

Give the security of your choice on the basis of risk and return.

III Semester M.Com. Degree Examination, December 2015
(CBCS Scheme)
COMMERCE
F.B. 3.4 : Securities Analysis

Time : 3 Hours Max. Marks : 70

Instruction : *Answer **all** the Sections by selecting the required number of questions from **each** Section.*

SECTION – A

1. Answer **any seven** sub questions. **Each** sub question carries **two** marks. **(7×2=14)**
   a) What is put option and call option ?
   b) What is industry analysis ?
   c) What are the components of investment risk ?
   d) What is the significance of beta ?
   e) What is the meaning of convertible futures ?
   f) What is semi strong form of efficient market theory ?
   g) What is an oscillator ?
   h) What is PEG ratio ?
   i) What are the software packages for security analysis ?
   j) What is yield curve ?

SECTION – B

Answer **any four** questions. **Each** question carries **five** marks. **(4×5=20)**

2. Explain different avenues of investment.
3. Explain major types of continuation and reversal patterns with reference to technical analysis.
4. Explain term structure theory of interest rates.

5. A zero coupon bond of Rs. 1,00,000 has a term to maturity of six years and a market yield of 8 percent at the time of issue.
   a) What is the issue price ?
   b) What is the duration of the bond ?
   c) What is the modified duration of the bond ?
   d) What will be the percentage change in the price of the bond, if the yield declines by 0.3 percentage points (30 basis points).

6. The following information is available.

	Stock A	Stock B
Expected return	24%	35%
Standard deviation	12%	18%

   Coefficient of correlation 0.60
   - What is the covariance between stocks A and B ?
   - What is the expected return and risk of a portfolio in which A and B are equally weighted ?

7. The share of a certain stock paid a dividend of Rs. 3.00 last year. The stock is expected to enjoy an above normal growth rate of 40 percent for 5 years. Thereafter the growth rate will fall and stabilize at 12 percent. Equity investors require a return of 15% from this stock. What is the intrinsic value of the equity share ?

SECTION – C

Answer **any three** questions. **Each** question carries **twelve** marks. (3×12=36)

8. What are the techniques of equity valuation ? Explain in brief the balance sheet techniques.

9. Define the efficient market hypothesis in each of its three forms. What are its implications ?

10. The following data are available to you as portfolio manager :

SECURITY	ESTIMATED RETURN %	BETA	STANDARD DEVIATION %
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10	0.5	20
MARKET INDEX	15	1.0	18
GOVT. SECURITY	7	0	0

- In terms of the security market line, which of the securities listed above are underpriced ?
- Assuming that a portfolio is constructed using equal proportions of the given securities listed above, calculate the expected return and risk of such a portfolio.

11. The YTM on 1 year Zero Coupon Bond is currently 7%; the YTM on 2 year zeros is 8%. The treasury plans to issue a 2-year maturity coupon bond, paying coupons once per year with a coupon rate of 9%. The face value of the bond is 100.
    - At what price will the bond sell ?
    - What will the YTM on the bond be ?
    - If the expectations theory of the yield curve is correct, what is the market expectation of the price that the bond will sell for next year ?
    - Recalculate your above answer if you believe in the liquidity preference theory and you believe that the liquidity premium is 1%

12. What is the outcome of economic analysis ? Explain the commonly analyzed economic factors.