

15P346

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Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2016**

(CUCSS - PG)

**CC15P MC3 E02 - Security Analysis and portfolio Management**

(2015 Admission)

Time : Three Hours

Maximum : 36 Weightage

**Part-A**

(Answer the following questions. Each question carries 1 weightage)

1. What do you mean by Yield to Maturity?
2. What is interest rate Risk?
3. Explain Random walk theory.
4. What do you mean by efficient market hypothesis?
5. What is meant by portfolio revision?
6. What is insider trading?

(6 x 1 = 6 weightage)

**Part-B**

(Answer *any six* questions. Each question carries 3 weightage)

7. Calculate Expected return and Standard Deviation of return for a stock having the following probability distribution of return?

<u>Possible Return</u>	<u>Probability</u>
-25	0.05
-10	0.10
0	0.10
15	0.15
20	0.25
30	0.20
35	0.15

8. Distinguish between investment and speculation.
9. What is bond? Explain the different types of bonds.
10. Discuss Capital Asset Pricing Model?

11. A portfolio is constituted with four securities having the following characteristics. Calculate Expected Return?

<u>Security</u>	<u>Return (%)</u>	<u>Proportion of Investment (W)</u>
P	17.5	0.15
Q	24.8	0.25
R	15.7	0.45
S	21.3	0.15

12. A person owns a Rs. 1,000 face value bond with five years to maturity. The bond makes annual interest payment of Rs.80. The bond is currently priced at Rs. 960. Give that the market interest rate is 10 percent, Should the investor hold or sell the bonds? Make your comments with justification.
13. Reliance Ltd paid a dividend of Rs 2 per share during the current year. It is expected to pay a dividend of Rs.3 per share during the next year. Investors forecast a dividend of Rs.3.50 and Rs.4 per share respectively. After that it is expected that annual dividend will grow at 10% per year into an indefinite period. If investors required rate of return is 20%. Find the true value of shares?
14. Monthly return data (in percent) of BHEL Ltd and BSE Index for 12 months period are given below. Calculate Beta?

<u>Month</u>	<u>BHEL</u>	<u>BSE Index</u>
1	10.27	11.00
2	9.31	3.69
3	6.73	4.20
4	-5.68	-4.93
5	2.60	3.05
6	2.86	5.88
7	2.78	3.74
8	3.84	2.63
9	-6.51	-2.10
10	-23.42	-21.35
11	0.00	-4.55
12	6.64	2.80

(6 x 3 = 18 weightage)

**Part-C**

(Answer *any two* questions. Each question carries 6 weightage)

15. Consider the following details

<u>Year</u>	<u>Return From Security A</u>	<u>Return From Security B</u>
2001	11	15
2002	13	9
2003	-8	27
2004	27	-3
2005	17	12

Suppose we invest 50% of funds in A and the balance in B. Calculate return and risk of the portfolio?

16. What is Fundamental Analysis? How does fundamental analysis differ from technical analysis?
17. A company has outstanding 8 percentage debentures of Rs.10, 00,000 on which interest is payable annually on 31<sup>st</sup> December. The debenture are due for redemption at par on 1-1-1993. The market price of debenture on 31-12-1989 was Rs.103 cum interest. Ignore tax. What do you estimate to be current market rate of interest (YTM)?

(2 x 6 = 12 weightage)

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