C 82521 (Pages : 2) Name.....................................

Reg. No.................................

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2015

(CUCSS)

Commerce

MC4E (FM) 02—SECURITY ANALYSIS AND PORT FOLIO MANAGEMENT

Time : Three Hours   Maximum : 36 Weightage

Part A

Answer all questions.
Each question carries a weightage of 1.

1. What are the elements that needs to be considered for investment ?

2. What is real return ?

3. Enumerate the techniques of technical analysis.

4. What is YTM ?

5. What is SML ?

6. What do you mean by Dollar/Rupee weighted returns ?

(6 × 1 = 6 weightage)

Part B

Answer any six questions.
Each question carries a weightage of 3.

7. Describe bond immunization with en example.

8. Elucidate the different approach to common stock valuation.

9. Describe Random Walk theory with an example.

10. Bring out the individual constraints of personal investing.

11. How do you undertake industry analysis as a part of fundamental analysis ?

12. Explain CAPM and its advantages and disadvantages.

13. Explain the scope and importance of capital gains taxation.

14. ABC Ltd's earnings and dividends have been growing at the rate of 18 % per annum. This growth rate is expected to continue for 5 years. After that the growth rate will fall to 12 % per annum for the next 5 years. Thereafter the growth rate is expected to be 6 % per annum forever. If the last dividend per share was Rs. 100 and the investor's required rate of return on ABC's equity is 15 % what is the intrinsic value for share ?

(6 × 3 = 18 weightage)

Turn over

Part C

Answer any **two** *questions.*
Each question carries a weightage of 6.

15. What are the objectives of Portfolio management ? Distinguish between Active Portfolio revisi
and Passive Portfolio revision.

16. A company with equity of Rs. 10 crore earns PBIDT of Rs. 40 crore. It incurs interest of Rs. 5 cro
depreciation of Rs. 5 crore and pays tax of Rs. 10 crore. It has reserves of Rs. 30 crore (excludi
current year's profits) and long term debt of Rs. 50 crore. It pays 100 % dividend and transfe
remaining profit to reserves. Its share of Rs. 10 face value is quoted at price of Rs. 200. Find t
PE ratio.

17. You are required to evaluate an investment in 2 securities whose past 10 years of returns a
shown below :

	Years									
	1	2	3	4	5	6	7	8	9	10
Company A :	30	24	–7	6	18	32	–5	21	18	8
Company B :	26	29	–12	1	15	30	0	18	27	10

(a) Calculate the standard deviation of each company's return.

(b) Calculate the correlation coefficient between company's returns.

(c) Assume that you had placed 40 % of investment money in each of the 2 company's shar
What would have been the standard deviation of your return and average yea
return ?

$(2 \times 6 = 12$ weightag