18P360 (Pages: 2) Name……..

Reg. No……..

THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2019

(Regular/Supplementary/Improvement)

(CUCSS-PG)

CC15P MC3 E02 - SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

(Commerce)

(2015 Admission onwards)

Time : Three Hours Maximum : 36 Weightage

PART A

Answer **all** questions. Each question carries 1 weightage.

1. What is efficient frontier?
2. What are the assumptions of CAPM?
3. What do you mean by behavioural portfolios?
4. What is bond immunization?
5. What is Point and Figure Chart?
6. Explain EMA.

(6 x 1 = 6 Weightage)

PART B

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

7. Explain the various risks associated with bonds.
8. Explain EMH.
9. Briefly explain the heuristic- driven biases in security analysis.
10. Explain the differences between fundamental analysis and technical analysis.
11. What are the stages of portfolio management process? Explain.
12. The probability distribution of the rate of return on Alpha stock is given below

State of the Economy	Probability of occurrence	Rate of return
Boom	0.40	25%
Normal	0.30	12%
Recession	0.30	-6%

What is the standard deviation of return?

13. Vardhman Limited's earnings and dividends have been growing at a rate of 18% p.a. This growth rate is expected to continue for 4 years. After that the growth rate will fall to 12% for the next 4 years. Thereafter, the growth rate is expected to be 6%

forever. If the last dividend per share was ` 2.00 and the investor's required rate of return on Vardhman's equity is 15%, what is the intrinsic value per share?

14. A bond having ` 100 par value bond bearing a coupon rate of 12% will mature after five years. What is the value of the bond, if the discount rate is 15%?

(6 x 3 = 18 Weightage)

PART C

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

15. Explain the following:
    a) Head and shoulder formations.
    b) Reversal patterns.
    c) Continuation patterns.
16. The returns of two assets under four possible states of nature are given below.

States of nature	Probability	Return on asset 1	Return on asset 2
1	0.10	5%	0%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

a) What is the standard deviation of the return on asset 1 and asset 2?

b) What is the covariance between the returns on asset 1 and asset 2?

c) What is the coefficient of correlation between the returns on asset 1 and asset 2?

17. Consider the following information for three mutual funds A, B, and C and the market.

Fund	Mean Return	Standard Deviation	Beta
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
Market Index	11	17	1.0

The mean risk free rate was 6%. Calculate the Treynor measure, Sharpe measure, and Jensen measure for the three mutual funds and market index.

(2 x 6 = 12 Weightage)

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