

NEW

2017

M.Com.

3rd Semester Examination

SECURITY ANALYSIS

AND

PORTFOLIO MANAGEMENT

PAPER—COM-301

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Unit - I

(Marks : 20)

1. Answer any *two* questions from the following : 2×5
- (a) What is the common misconception about speculation ?
Discuss.
- (b) Explain risk associated with the two components of return.

(Turn Over)

- (c) Explain the term 'oscillator' in the context of technical analysis with the help of an illustration.
- (d) The following table gives you the prices of the share of Shine Ltd. during the last five days.

(All the price figures are in Rs.)

Day	Opening price	Closing price	Highest price	Lowest price
1	53	52	57	51
2	54	55	58	54
3	59	62	64	57
4	56	58	61	54
5	55	53	56	49

You are required to plot the Japanese candlestick chart.

2. Answer any *one* question from the following : 1×10

- (a) Describe, in brief, various components of systematic and non-systematic risk. 10
- (b) (i) Discuss the interconnection among the three levels of analysis that form a part of the fundamental analysis.
- (ii) Write down the point of differences between fundamental analysis and technical analysis.

5+5

Unit - II
(Marks : 20)

3. Answer any *two* questions : 2×5
- (a) Discuss the assumptions of the Capital Asset Pricing Model.
- (b) Explain the terms 'open-ended fund' and 'balanced fund'.
- (c) Mr. Kushal has the following information about three funds X, Y and Z.

Fund	Beta	Avg. return (%)
X	1.45	23.5
Y	1.38	17.7
Z	1.82	25.7

The return from 91-day Treasury bill and Sensex averaged 4.3% and 14.5% respectively. You are required to compute Jensen's alpha and interpret the result. 5

- (d) MN Ltd. has its equity shares listed in the BSE. The dividend of the company has been growing at the rate of 15% for the last five years and it shall continue for another two years. Beyond that, the dividend is expected to grow at the rate of 8%. If the dividend in 2015 was Rs. 7, you are required to compute the intrinsic value of equity assuming that the cost of equity is 14% and the average cost of capital is 12%. 5

4. Answer any *one* of the following : 1×10

- (a) (i) What are the advantages of investing in a mutual fund ?
- (ii) You have invested in two securities C and D which have standard deviation of returns of 12% and 15% respectively. The ratio of investment is 2:3. If the correlation coefficient between them is perfectly negative, calculate the portfolio return and risk. What should be the ratio of investment in C and D so that the portfolio risk is zero ?

5+(1+2+2)

- (b) (i) Discuss the structure of a mutual fund organization.
- (ii) Security market line helps to identify mispricing in securities. Discuss with the help of a diagram.

6+4

[Internal Assessment — 10 Marks]
