

2017**M. Phil.****2nd Semester Examination****INVESTMENT DECISIONS****PAPER — COM-122***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.**Answer all questions.***Group - A****1. Answer any four questions from the following : 4×5**

- (a) Explain the Sharp Index Model. How does it differ from the Markowitz Model ?
- (b) Estimate the stock return by using ATP model. The particulars are as follows :

the expected return of the market is 15 per cent and the equity's beta is 1.2. The risk-free rate of interest

(Turn Over)

is 8 per cent.

Factor	Market Price of Risk (%)	Sensitivity Index
Inflation	6	1.1
Industrial Production	2	0.8
Risk Premium	3	1.0
Interest Rate	4	-0.9

(c) The return on securities A and B are given below :

Return (%)	Probability	
	Security - A	Security - B
8	0.5	0.4
9	0.3	0.4
10	0.2	0.2

What will be the average returns of security A and security B? Which security is more risky? 5

(d) Distinguish between CAPM and Arbitrage Pricing Theory (ATP). 5

(e) Explain the use of technical analysis for investors. 5

(f) You are required to make a comparison between fundamental analysis and technical analysis. 5

(g) Discuss the concepts of 'support' and 'resistance' in the context of technical analysis. How can it help in taking a buy or sell decision? Explain with the help of an example. 5

(h) You are given information regarding the following prices on different days :

Day 1: Rs. 58, Day 2: Rs. 60.50, Day 3: Rs. 59.00,
Day 4: Rs. 57.20, Day 5: Rs. 59.00, Day 6: Rs. 61.50,
Day 7: Rs. 62.80, Day 8: Rs. 65.00, Day 9: Rs. 64.20,
Day 10: Rs. 66.80. 5

You are required to compute the rate of change indicator. Comment on the result.

2. Answer any *two* questions from the following : 2×10

(a) What do you mean by random walk theory? Briefly discuss the various forms of market efficiency. 4+6

(b) (i) Explain CAPM theory and its validity in the stock market.

(ii) Based on the following details, determine the securities that are overpriced and those that are underpriced in terms of the Security Market Line (SML).

Security	Actual Return	β	σ
A	0.33	1.7	0.50
B	0.13	1.4	0.35

Security	Actual Return	β	σ
C	0.26	1.1	0.40
D	0.12	0.95	0.24
E	0.21	1.05	0.28
F	0.14	0.70	0.18
Nifty Index	0.13	1.00	0.20
T-bill	0.09	0.0	0.0

5+5

- (c) Describe the economy analysis as a component in the EIC framework. 10
- (d) (i) Discuss the terms 'triangle' and 'head and shoulder formation' as pattern in share price movement.
- (ii) Narrate the importance of company analysis in making investment decisions. (3+3)+4

[Internal Assessment : 10 Marks]
