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2018

M.Com. 4th Semester Examination

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

PAPER—COM-403

Subject Code—03

Full Marks : 50

Time : 2 Hours

The figures in the 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) The following table gives you the prices of the share of Bless Ltd. (in Rs.) during the last five days.

(Turn Over)

- (b) (i) Describe the term systematic risk.
- (ii) Explain the meaning of semi-strong form of efficiency. 5+5

Unit - II

(Marks : 20)

3. Answer any *two* questions from the following : 2×5

- (a) There are two securities M and N in a portfolio. The details are given below :

| Particulars | M | N |
|-----------------------------|----------|--------|
| Return | 12% | 15% |
| Variance | 110.25 | 132.25 |
| Investment in the portfolio | M: N=1:4 | |
| Correlation coefficient | (-) 0.20 | |

You are required to compute the following :

- (i) The portfolio return
- (ii) The portfolio variance. 2+3

- (b) What do you understand by the efficient frontier ?
- (c) Write a short note on measures for evaluation of mutual funds.
- (d) Mrs. Shreyasi plans to invest in a portfolio having two securities U and V having the following details :

| Particulars | Security U | Security V |
|-----------------|------------|------------|
| Variance | 196 | 169 |
| Mean return (%) | 12.50 | 15.80 |
| Covariance UV | +55 | |

Should he hold this combination ? Give proper justification.

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

(a) (i) Write down the assumptions of CAPM.

(ii) There is a security J having a beta of 1.92 and standard deviation of 11.5%. It is given that the return on 91-day T-bills is 4% and that of the market is 12.8%. You are required to calculate the expected return from the security.

If it is mentioned that the actual return from J is 17.5%, is the security correctly priced ? 4+6

(b) (i) *What are the advantages of investing in a mutual fund ?*

(ii) Mr. Mohan gives you the following information about three funds D, E and F.

| Fund | Beta | Avg. annual return (%) |
|------|------|------------------------|
| D | 1.25 | 18.5 |
| E | 1.48 | 17.1 |
| F | 1.62 | 21.8 |

The risk-free return is 4.5% whereas that of the Nifty is 13.5%. You are required to compute Jensen's alpha and interpret the result. 4+6

o *[Internal Assessment — 10 Marks]*
