

M.Com. 3rd Semester Examination, 2018

COMMERCE

(Security Analysis and Portfolio Management)

PAPER –COM-301

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

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

UNIT—I

1. Answer any *two* questions of the following : 5×2
 - (a) Briefly explain the objectives of Investment Analysis in Fundamental Analysis. 5
 - (b) Explain the impact of Interest rate and Government expenditure on the performance of the economy and the companies. 5

(Turn Over)

(2)

(c) The following financial detail is given for your consideration :

Particulars	2015	2016	2017
Return on Equity	25%	21%	18%
Retention ratio	0.59	0.58	0.64

Additional information :

Expected EPS and P/E ratio would be Rs.9.35 and 8.76 respectively.

Find out :

(i) Sustainable Growth Rate

(ii) Volatility

(iii) Value Anchors.

2 + 2 + 1

(d) Show the graphical presentation of 'risk-return relationship' mentioning risk free return, risk premium, slope, market line and investments in different stocks.

5

(3)

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

(a) (i) State the important properties of duration.

(ii) The following data is available for a bond :

Face value : Rs.1000

Coupon rate : 16 percent payable annually

Years to maturity : 6 years

Redemption value Rs.1000

Current market price : Rs.964.5

Find out the yield to maturity, duration
and volatility of this bond. $3 + 2 + 3 + 2$

(b) Write short notes on : $5 + 5$

(i) Support and resistance patterns ; and

(ii) Random Walk Theory.

UNIT-II

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

(a) What do you understand by an efficiency
frontier ? Explain with the help of diagram. 5

(4)

(b) The price of equity share of Anand Ltd. (as on 31st March) is given below.

Year	2014	2015	2016	2017	2018
Price(Rs.)	410	444	422	510	565

You are required to determine the average return using arithmetic mean and geometric mean methods.

$$2\frac{1}{2} + 2\frac{1}{2}$$

(c) (i) What is index fund ?

(ii) Ms. Ambika can earn 12.5% by investing in equity shares herself. She is interested in investing in the growth scheme of Aggression Mutual Fund in which the recurring expenses are 1.9% and initial expenses are 4.15%. How much should the fund earn so that she at least earns the same as her equity investment done on her own ?

$$2 + 3$$

(d) Transparency and product variety are two key advantages of mutual funds. Explain. 5

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

- (a) (i) Mr. Anthony has invested in four fully diversified mutual fund that has investments in varied sectors. The details of the return and risk of the funds are given below :

Fund	Actual return(%)	Standard deviation	Beta
Shakti	15.1	12.1	1.50
Healthy	12.7	9.5	1.70
Strong	13.9	11.5	1.34
Tough	17.2	14.9	2.22

The return from the Nifty averaged 9.2% and return on 91 day T-bills is 5%. You are required to rank the funds using an appropriate ratio.

- (ii) Write a short note on the security market line. 5 + 5
- (b) (i) Ms. Alokita has a portfolio consisting of two securities *G* and *H* having investment in the ratio of 2 : 3. The returns from *G*

(6)

and H are 12% and 15% respectively. The variance of returns is 100 and 144 respectively and the correlation coefficient between the two securities is 0.40. She now wants to replace H with another security J (the proportion of investment remaining unchanged). Security J gives an average return of 14% and has a variance of 132.25. The correlation coefficient between G and J is 0.20. Will the change in the portfolio composition beneficial to her? Show necessary calculations.

- (ii) What is a zero coupon bond(ZCB)? You are required to determine the spot interest rate for a par ZCB having face value of Rs.1000 which was issued four years back and is going to mature after four year. The present market price of the bond is Rs.757. 6 + (2 + 2)

[*Internal Assessment* : 10 Marks]