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2015

MBA 3rd Semester Examination

FINANCIAL AND INVESTMENT ANALYSIS

(Specialisation : Financial Management)

PAPER—F-303

Full Marks : 100

Time : 3 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.

Write the answers to Questions of each Half in separate books.

(First Half)

[Marks : 50]

1. Answer any four questions : 4x5

- (a) Write a short note on “systematic risk” and “unsystematic risk”.

(Turn Over)

- (b) Write a short note on warrant.
- (c) How are trend ratios computed ?
- (d) How is Yield to Maturity (YTM) of bonds computed ?
- (e) Write a short note on Debtors Turnover and Creditors Turnover ratios.
- (f) What is Beta of a stock ? How is it computed ?

2. Answer any *two* questions : 2×10

- (a) Explain the procedure of Markowitz Mean Variance rule for choosing optimal portfolio of risky assets.
- (b) From the following financial statements of Alpha Co. Ltd. compute the following ratios and comment on the financial position of the company.

Liquidity and Solvency ratios (Current ratio, Acid Test ratio and Debt Equity ratio)

Profitability ratios (Gross Profit ratio, Net Profit ratio, Return on Equity and Return on Capital Employed)

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Balance Sheet as on 31.03.15

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	1200000	Plant and Machinery	1000000
8% Preference Share Capital	800000	Land and Buildings	1000000
5% Debentures	500000	Furniture and Fixture	600000
General Reserve	100000	Stock in Trade	600000
Profit and Loss Account	200000	Bills Receivable	200000
Sundry Creditors	900000	Debtors	380000
Provision for Tax	50000	Bank	20000
Bank Overdraft	50000		
	3800000		3800000

Profit and Loss Account for the year ended 31.3.15

	Rs.		Rs.
To Opening Stock	400000	By Sales	2100000
Purchase	1600000	By Closing stock	600000
Gross Profit c/f	700000		
	2700000		2700000
To Trading expenses	410000	By Gross Profit b/f	700000
Net Profit	300000	Interest	10000
	710000		710000

- (c) (i) From the following information of Prithvi Co. Ltd. prepare the common size Balance sheet for both 2014 and 2015.

Liabilities	2014	2015	Assets	2014	2015
Equity Share capital	200000	200000	Land and Buildings	100000	90000
Reserves and surplus	30000	35000	Machinery	100000	120000
Loans	20000	15000	Inventory	40000	50000
Creditors	50000	60000	Debtors	50000	40000
			Bank	10000	10000
	300000	310000		300000	310000

- (ii) Write a short note on various forms of investment alternatives. 6+4

[Internal Assessment : 10]

(Second Half)

[Marks : 50]

3. Answer any *four* of the following : 4×5

- (a) Write short note on On Balance Volume (OBV).
- (b) Write a short note on industry analysis.

- (c) A stock pays a current dividend of Rs. 1.00 per share. The company's dividend and earnings will grow at 7 percent. The risk free rate is 6 percent and a risk premium for the stock 5 percent. Compute the value of the stock.
- (d) What are the assumptions of Efficient Market Hypotheses ?
- (e) What are the basic tenets of Dow Theory ?
- (f) Discuss how the following factors affect the stock prices :
- (i) Interest Rates ;
 - (ii) Monsoon.

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

- (a) (i) A 14%, 5 year bond of face value of Rs. 1000 is currently trading in the market at Rs. 1050. If the bond is redeemable at a par on maturity, compute the Yield to Maturity.
- (ii) An investor is considering buying a Rs. 100 per value bond carrying a coupon rate of 14%, and matures of 5 years. The coupon is payable semi annually. The required rate of return is 16%. If the current market price of the bond is Rs. 90, should he buy the bond. Given (PVIFA 8%, 10 years = 6.710) and (PVIF 8%, 10 years = 0.463) 5+5

- (b) Explain the three different forms of efficient market hypothesis.
- (c) (i) What is Relative Strength Index (RSI) ?
- (ii) From the following data of a stock, calculate the 5 day Simple Moving Average (SMA) and the 5 day Exponential Moving Average (EMA).

Day	Price (Rs.)
1	46
2	44
3	48
4	46
5	52
6	48
7	50
8	54
9	48
10	50
11	52

[Internal Assessment : 10]
