2014

M B A

3rd Semester Examination

FINANCIAL AND INVESTMENT ANALYSIS

[Specialisation : FINANCIAL MANAGEMENT]

PAPER — F 303

Full Marks : 100

Time : 3 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.

Write the answers to Questions of each Half in <u>separate books</u>.

(First Half)

(Marks : 50)

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

   (a) Briefly discuss the limitations of ratio analysis.

   (b) How does horizontal analysis differ from vertical analysis ?

   (c) What do you mean by the term 'zero coupon bonds' ?

(d) Distinguish between "systematic risk" and "unsystematic risk".

(e) Write a short note on common size financial statements.

(f) How does speculation differ from investments?

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

(a) On the basis of the following information, you are required to prepare a statement of proprietor's fund.

Current ratio 2.5, Liquid ratio 1.75, Proprietary ratio (FA to proprietary fund) 0.8, Capital gearing ratio (equity share capital to preference share capital) 6, Working capital Rs. 75,000, Reserve & Surplus Rs. 25,000, Bank overdraft Rs. 20,000.

There is no long-term loan, investment or fictitious asset.

(b) Narrate Markowitz Mean Variance Model. State its limitations. 6+4

(c) (i) A 10% of face value 10 year bond, of Rs. 1,000 is currently trading in the market at Rs. 950. If the bond is redeemable at a premium of Rs. 50 on maturity, compute the Yield to Maturity.

(ii) Write a short note on Net Asset Value (NAV).

5+5

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

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

(a) Briefly discuss the concept of moving average analysis to predict individual shares trends.

(b) Explain any two common chart patterns recognized by technical analysis.

(c) "An efficient capital market is the one in which none of the investors is in a position to influence the share price unduly." Explain.

(d) Differentiate between fundamental analysis and technical analysis.

(e) Would low correlation coefficients over time between stock prices tend to prove or disprove the weak form of the efficient market hypothesis ?

(f) What is Relative Strength Index ? How is it computed ?

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

(a) Discuss the different levels of Fundamental Analysis relating to investment decision in securities.

(b) Manish is considering investing in a bond having a face value of Rs. 1,000 which presently selling at Rs. 900. The bond is going to mature after four years and has a coupon rate of 10%. Assuming that the discount factor on bonds of similar maturity is 12%, calculate :

(a) the intrinsic value of the bond, and

(b) the yield to maturity using short-cut method.

Also example whether Mr. Manish should invest in the bond.

(c) (i) What are Simple and Exponential Moving Averages ?

(ii) From the following data, calculate the 5 day Simple Moving Average (SMA) and the Exponential Moving Average (EMA).

Day	Price (Rs.)
1	23
2	22
3	24
4	23
5	26
6	24
7	25
8	27
9	24
10	25
11	26

(iii) Explain the concept of bullish and bearish crossover in moving average method.

3+5+2

[*Internal Assessment : 10 marks*]

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