K23P 0225

Reg. No. : .....

Name : .....

IV Semester M.Com. Degree (CBSS – Reg./Supple./Imp.)
Examination, April 2023
(2019 Admission Onwards)
Elective – A – FINANCE
COM 4E01 – Security Analysis and Portfolio Management

Time : 3 Hours Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (**a**), **3** marks for Part (**b**) and **5** marks for Part (**c**).

1. a) Define the term '*Investment*'.
   b) "SEBI Acts as the watchdog in the Indian Capital market".
   c) Distinguish between Forwards and Futures.

2. a) What does the Random Walk Theory State ?
   b) Identify the factors to be considered while selecting a portfolio.
   c) A security pays a dividend of ₹ 3.85 and sells currently at ₹ 83. The security is expected to be sold at ₹ 90 at the end of the year. The surety has a beta value of 1.15. The risk-free rate of return is 5% and the expected return on the market index is 12%. Assess whether the security is correctly priced or not.

3. a) Define '*Portfolio Revision*'.
   b) Discuss the different 'Tax-Sheltered' investments available in India.
   c) Evaluate the peculiar properties of the Elliot Wave Theory diagrammatically.

P.T.O.

4. a) What are '*Oscillators*' ?

   b) Distinguish between Investors and Speculators.

   c) Consider two securities, P and Q with an expected return of 15% and 24% respectively and SD of 35% and 52% respectively. Calculate the SD of the portfolio weighted equally between two securities; if their correlation is – 0.9.

5. a) "*Don't put too many eggs into a single basket*". What did Markowitz mean by this statement ?

   b) Comment on (i) Japanese Candlestick Chart (ii) Flags and Pennants with diagrams.

   c) A person owns a ₹ 1,000 face value bond with five years to maturity. The bond makes an annual interest payment of ₹ 80. The bond is currently priced at ₹ 960. Given that the market interest rate is 10%; should the investor hold or sell the bond ?

6. a) Calculate the present value of ₹ 1,000 to be received after 5 years, if it was invested at 6% per annum.

   b) Compare Fundamental Analysis with Technical Analysis.

   c) Based on the following given details, there are two investors X and Y :

Mr. X	Mr. Y
End period value (P_1) = ₹ 140	End period value (P_1) = ₹ 150
Beginning period value P_0 = ₹ 120	Beginning period value (P_0) = ₹ 100
Dividend = ₹ 6 per share	Dividend = ₹ 10 per share
Standard Deviation (σ_x) = 9%	Standard Deviation (σ_y) = 12%

Decide who earns the best based on expected returns and risk. **(4×9=36)**

SECTION – B

Answer **any two** questions in this Section. **Each** question carries **12** marks.

7. a) "Small drops of water make a big ocean". In light of this statement, describe the advantages and risks associated with Mutual fund investments.

   OR

   b) Elaborate on the objectives, scope and stages of Portfolio Management in detail.

8. a) Given the following information :

	Portfolios			
	A	**B**	**C**	**D**
Beta	1.10	0.8	1.8	1.4
Return (%)	14.5	11.25	19.75	18.5
Standard Deviation (%)	20	17.5	26.3	24.5

Rf = 6% and Rm = 12%.

Calculate and evaluate the performance of the portfolio using :

i) Sharpe Ratio

ii) Treynor Ratio and

iii) Jenson Ratio.

OR

b) The current dividend of an equity share of LMN Ltd. is ₹ 3. The company expects to enjoy an above-normal growth of 40% for 5 years. Thereafter, the growth rate falls and stabilises at 12%. Equity investor needs a return of 15% from the company stock. Compute the intrinsic value of the equity shares of LMN Ltd. Will the company have to sell or buy the share, if the price of the stock is ₹ 423 now ? **(2×12=24)**