Roll No. ______________________________ [Total No. of Pages : 3

# PGIIS-N 1161 A-2K13

## M.Com. IInd Semester (CBCS) Degree Examination

## Commerce

## (Security Analysis and Portfolio Management-B)

## Paper - SC 2.4

## (New)

Time : 3 Hours Maximum Marks : 80

***Instructions to Candidates:***

Attempt **all** sections.

### Section - A

1. Answer **all** the sub-questions. Each sub-question carries 2 marks. **(10×2=20)**

   a) What is a risk-free asset?

   b) Define option.

   c) What are the pros and cons of investing in mutual funds?

   d) How do you calculate the breadth of the market?

   e) Define market risk.

   f) State the features of National savings certificate.

   g) Define capital market line.

   h) What do you mean by duration of a bond?

   i) Define aggressive stock.

   j) Mention the differences between fundamental analysis and technical analysis.

## Section - B

Answer any **three** questions. Each question carries 5 marks. **(3×5=15)**

2. Discuss the different approaches to investment decision making.

3. What are the factors to be considered while carrying out industry analysis? Explain.

4. Write a brief note on sharpe's model.

5. "Benjamin Graham was a quantitative navigator". Explain.

6. From the below given information, construct the chart showing stock price line and 5 weeks moving average price line. Does the chart reveals buy signal or sell signal?

| Week | Closing Price (Rs) |
|---|---|
| 1 | 25.00 |
| 2 | 26.00 |
| 3 | 25.50 |
| 4 | 24.50 |
| 5 | 26.00 |
| 6 | 26.00 |
| 7 | 26.50 |
| 8 | 26.50 |
| 9 | 26.00 |
| 10 | 27.00 |

## Section - C

Answer any **three** questions. Each question carries **15** marks. **(3×15=45)**

7. What are the common errors to which investors appear to be prone in managing their investments? Explain. List out the qualities required for successful investing.

8. "Technical analysis is useful for predicting individual shareprice as well as the direction of the market as a whole". Elaborate.

9. What do you mean by portfolio evaluation? Discuss the various measures of performance evaluation.

10. Following is the capital structure of A Ltd. on 31:03:2006:

| | |
|---|---|
| Equity share capital (of Rs 10 each) | 10,00,000 |
| Security premium | 15,00,000 |
| Reserves and surplus | 5,00,000 |
| Net worth | 30,00,000 |

Mr. X purchased 100 shares of A Ltd on 01:04:2002 at the market price of Rs. 30.00. On 01:04:2006 the company made a bonus issue of 2:5. He sold all the shares on 31:03:2008 at the market price of Rs 50.00 per share (cum-dividend). He had to pay tax @ 20% on his dividend income and @ 15% on capital gains.

If the company pays a regular dividend @ 10%. Find out whether investor X was able to earn his required rate of return of 10% on his investment Present value factors @ 10% for 1-6 years are -.91, .83, .75, .68, .62 and .56. Assume that the dividend income is taxable in the hands of the shareholder.

11. An investor invests 30% of his funds in risk free asset and the remaining 70% of funds in an index fund that represents the market. The risk free return is 8.00%. The index fund is expected to give a return of 21.00%.

a) What is the expected return from portfolio of the investor? The standard deviation of returns from the index fund is 9.80%. What is the standard deviation of the portfolio return?

b) If the investor withdraws his investment in the risk free asset and invests the same also in the index fund, what is the expected return? What is the portfolio risk?

c) If apart from investing his entire funds in the index fund, the investor borrows a sum equal to 20% of his available funds at risk free rate of interest and invests the same also in the index fund, what is the expected return ? What is the portfolio risk?