Reg. No. : ....

Name : ....

III Semester M.Com. Degree (C.B.C.S.S. – OBE – Regular)
Examination, October 2024
(2023 Admission)
CMCOM 03C12 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any five** questions in this Section. **Each** question carries **3** marks.

1. Define Investment. How does it differ from Speculation ?

2. State the assumptions of the Random Walk Theory.

3. Distinguish between Fundamental Analysis and Technical Analysis.

4. Last year's dividend of a company is ₹ 40. The expected growth rate is 5%. Rate of return is 10%. Identify the value of equity share. Should the share be sold or bought in case the market price of the share is ₹ 555 ?

5. Mr. Joshi has a portfolio of securities; given below :

Amount (in lakhs)	6	9	12	15	18
Return	7%	12%	19%	10%	2%

Compute the expected return of the portfolio.

6. Consider two securities, L and M, with expected returns of 15% and 24% respectively; and the SD of 35% and 52% respectively. Determine the SD of a portfolio weighted equally between two securities if their correlation is – 0.9.

(5×3=15)

P.T.O.

SECTION – B

Answer **any three** questions in this Section. **Each** question carries **5** marks.

7. "No Investments are risk-free." Do you agree ? Evaluate the types of risks in bond investments.

8. What factors necessitate Portfolio Revision ? Discuss the constraints in it.

9. What is Portfolio Management ? Outline the factors to be considered by an investor during Portfolio Selection.

10. A security pays a dividend of ₹ 3.85 and sells currently at ₹ 83. The security is expected to sell at ₹ 90 at the year-end. The security has a beta of 1.15. The risk-free rate is 5% and the expected return on the market index is 12%. Assess whether the security is correctly priced or not.

11. Sunrise Ltd. paid a dividend of ₹ 2 per share during the current year. It is expected to pay a dividend of ₹ 3 per share during the next year. Investors forecast a dividend of ₹ 3.50 and ₹ 4 per share respectively. After that it is expected that annual dividend grows at 10% per year into an indefinite period. If the investors required rate of return is 20%, then calculate the true value of share. Should the shares be bought or sold, if the market price is ₹ 50 ? **(3×5=15)**

SECTION – C

Answer **any three** questions in this Section. **Each** question carries **10** marks.

12. "Elliot Wave Theory is used as a toolkit to predict price movements in Technical analysis." Evaluate the properties and applications of this theory with a diagram.

13. From the following details, calculate the Current Yield, YTM and YTC of the bond :

Market Price	₹ 107
Face value	₹ 100
Coupon rate	12%
Date of purchase	01/01/2018
Maturity date	31/12/2023
Callable on	01/01/2020
Interest payable	Annually
Maturity/callable value	₹ 105

14. Monthly return data (in percent) for Company A whose stock and the NSE Index for a 8 month period are given below :

Month	Company A	NSE
1	– 0.75	– 0.45
2	5.40	–0.52
3	–3.55	–1.08
4	3.41	1.64
5	9.25	6.67
6	2.36	1.21
7	–0.45	0.72
8	5.51	0.84

i) Calculate the Alpha and Beta for the Company A stock.

ii) Suppose the NSE Index is expected to grow by 20% next month, then how much return would you expect from Company A ?

15. The rate of return and its probabilities of occurrence of two stocks A and B are given in the table below :

Year	Return on Stock X	Return on Stock Y
2021	14	12
2022	16	18
2023	18	15

i) Compute the expected return of a portfolio made up of 75% of X and 25% of Y.

ii) What are the standard deviations of X and Y stocks ?

iii) Determine the Covariance and Correlation coefficient of stocks X and Y.

iv) If the proportion is changed to 60% of X and the remaining of Y, then determine the portfolio risk.

16. Given the following information :

	PORTFOLIO			
	A	B	C	D
Beta	1.10	0.8	1.8	1.4
Return(%)	14.5	11.25	19.75	18.5
SD (%)	20.0	17.5	26.3	24.5

Rf = 6% and Rm = 12%.

Calculate the following and interpret the results by ranking :

i) Sharpe Ratio   ii) Treynor Ratio   iii) Jensen Ratio.   (3×10=30)