

7/4/2016 TY BCB  
Sem-V  
April-2016  
Security Analysis &  
Portfolio Mgt.

QP Code : 26363

(2½ Hours)

[ Total Marks : 75

- N.B. : (1) All question are **compulsory**. Each question has option.  
(2) **Figures to the right indicate Full Marks.**

1. a) Multiple Choice Question.

- 1) \_\_\_\_\_ model of share valuation assumes that dividend per share remains at fixed amount forever.  
a) Constant growth model      b) Multiple growth  
c) Zero growth model      d) PE model
- 2) Investors have to \_\_\_\_\_ review and revise their portfolios.  
a) Regularly      b) quaterly  
c) yearly      d) daily
- 3) Shares of known & financially sound companies are called as \_\_\_\_\_.  
a) Blue chip shares      b) Red chip shares  
c) Green chip shares      d) Black chip shares
- 4) \_\_\_\_\_ is a money market security.  
a) Debenture      b) Commercial paper  
c) Mutual fund      d) Gold & silver
- 5) When a company makes public issue of shares for the first time it is called as \_\_\_\_\_.  
a) Initial public offer      b) Right Issue  
c) Bonus Issue      d) Book- Building
- 6) \_\_\_\_\_ institution is set by government of India for dealing with all matter relating to securities market.  
a) SEBI      b) IRDA  
c) RBI      d) ICICI
- 7) \_\_\_\_\_ are special type of mutual funds which invest only in high quality money market instruments of short- term nature.  
a) Open-ended      b) Money Market Mutual Fund  
c) Closed ended      d) HDFC Mutual fund
- 8) The primary purpose of investment is to \_\_\_\_\_.  
a) gain      b) loose  
c) win      d) appreciation

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CY-Con. 1469-16.

b) State whether the following statements are true or false :-

1. Debt securities are mostly ownership Based.
2. Bar chart is a modified version of candlestick chart.
3. The random walk theory is not based on the efficient market hypothesis.
4. The new issue market & the stock market are independent of each other.
5. The relationship between stock, returns & market index structure is called Beta.
6. Listing of securities is compulsory for only government securities.
7. The strong form of the market states that no investor can continuously make profits on the stock exchange by future forecast.

2. a) Distinguish between Investment and speculation.
- b) What are debt securities? Explain the corporate debt market in India?

OR

2. a) State various Tax savings Investments.
- b) State the advantages and disadvantages of investing in equity shares.

3. a) Nilakshi Ltd has offered a scheme of investment where a person investing Rs 50,000 presently is entitled to return of Rs 9000, Rs 12500, Rs 15000, Rs 16,000 and Rs 17500 in next five years. The indicated rate of return is 10% p.a. Advise whether the investment is profitable - [Plv@10% - 0.909, 0.826, 0.751, 0.683, 0.621]
- b) Pankti is considering investment in one of the following Bonds.

| Bond | Coupon Rate | Maturity | Price (Face value 1000) |
|------|-------------|----------|-------------------------|
| A    | 12%         | 10 years | 700                     |
| B    | 10%         | 8 years  | 600                     |

OR

3. a) A stock costing Rs 58 pays no dividend. The possible prices that the stock may attain under various economic conditions are given below with the respective probabilities.

| Economic condition | Possible price | Probability |
|--------------------|----------------|-------------|
| 1                  | 55             | 0.2         |
| 2                  | 60             | 0.2         |
| 3                  | 65             | 0.1         |
| 4                  | 70             | 0.1         |
| 5                  | 75             | 0.2         |
| 6                  | 80             | 0.2         |

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- 1) Calculate the expected Return.
  - 2) Calculate the standard deviation of the returns.
- b) Shambu Ltd paid a dividend of Rs 10 per share. Earnings and dividends are expected to grow at rate of 20 percent. The required rate of return and the current market price are 30 percent and Rs 200 respectively. Is the share fairly priced.
4. a) What is charting technique? What are the different types of charting techniques?
- b) What are financial ratios? what are their limitation?

OR

4. a) Following are the Trading Account, Profit & Loss Account of Samreen Ltd. for the year ending 31st December 2014, and Balance sheet on that date :-

Trading and P&amp;L

|                    |          |                  |          |
|--------------------|----------|------------------|----------|
| To Opening Stock   | 1,45,000 | By Sales         | 7,50,000 |
| To Purchases       | 6,10,000 | By Closing stock | 1,55,000 |
| To Gross profit    | 1,50,000 |                  |          |
|                    | 9,05,000 |                  | 9,05,000 |
| To Sundry expenses | 80,000   | By Gross profit  | 1,50,000 |
| To Net profit      | 70,000   |                  |          |
|                    | 1,50,000 |                  | 1,50,000 |

Balance Sheet

|                               |           |             |           |
|-------------------------------|-----------|-------------|-----------|
| Share capital<br>(Rs 10 each) | 7,00,000  | Fixed Asset | 5,50,00   |
| Reserves                      | 50,000    | Stock       | 1,55,000  |
| (+) PAT                       | 70,000    | Debtors     | 1,80,000  |
| Bank overdraft                | 35,000    | Cash        | 1,20,000  |
| Creditors                     | 1,50,000  |             |           |
|                               | 10,05,000 |             | 10,05,000 |

Calculate :-

- 1) Current Ratio
- 2) Quick Ratio
- 3) Gross profit Ratio
- 4) Net profit to capital Ratio
- 5) Stock Turnover Ratio
- 6) Debtors' Turnover Ratio
- 7) EPS

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5. a) Discuss Security Market Line (SML) with diagram. 8  
 b) "Most investors are risk averse." Comment. 7

OR

5. a) The expected returns and Beta of three Securities are as follows- 8

| Securities | A   | B   | C   |
|------------|-----|-----|-----|
| E(r) (%)   | 18  | 11  | 15  |
| Beta       | 1.3 | 0.4 | 1.2 |

If risk free rate is 8% and market returns are 13%, which stocks are over, under or correctly valued in the market? What will be your strategy?

- b) From the following information calculate Beta of security compared market. 7

| Years | Return on Security (%) | Return on Market (%) |
|-------|------------------------|----------------------|
| 1     | 10                     | 12                   |
| 2     | 12                     | 10                   |
| 3     | 15                     | 12                   |
| 4     | 10                     | 11                   |
| 5     | 8                      | 9                    |