

Duration: 2½ Hours

Marks: 75

N.B. 1) All questions are compulsory.

2) Figures to the right indicate full marks.

1. (A) Multiple choice Question (Any 8)

8 Marks

- 1) Holding period Return = $\frac{\text{Profit}}{\text{Investment}} \times 100$
a) Profit b) Total returns c) Sale price d) Purchase price
- 2) The concept of financial investment means addition to _____.
a) Capital stock b) Future income c) rate of return d. risk
- 3) Investors who prefer lower returns with known risks rather than higher Returns with unknown risks is called as _____.
a. Risk Averse b. Risk aggressive c. Risk Neutral d. Active
- 4) _____ is a speculator who expects decline in price
a) Bull b) Bear c) Stag d) Deer
- 5) Shares of known and financially sound companies are called as _____.
a. Blue chip shares b. Red chip shares c. Green chip shares d. Black chip shares
- 6) Beta is type of _____.
a.. Portfolio risk b. Systematic risk c. Unsystematic risk d. total risk
- 7) _____ form of efficient market reflects both public and private information
a) Weak b) Strong c) Semi-strong d) Bear
- 8) _____ is a technique of reducing the risk involved in a portfolio.
a) Diversification; b) Specification; c) Different ; d) Investment
- 9) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liability}}$ divided by _____.
a) Liability b) Current Liability c) Liquid Liability d) Quick liability
- 10) Technical Analysis was developed by _____.
a. William Sharpe b. Charles Dow c. Treynor d. Markowitz

(B) Give True or False: (Any 7)

7 Marks

- 1) Diversification helps to reduce unsystematic risk.
- 2) Fundamental analysis is a method of evaluating a security.
- 3) Examples of Profitability ratio include current ratio and quick ratio.
- 4) The efficient market hypothesis (EMH) states that the financial markets are inefficient.
- 5) Business risk is example of unsystematic risk.
- 6) Jenson measure is based on CAPM.
- 7) Stock Market Index shows the performance of the company .
- 8) Portfolio Management involves changing the existing mix of securities.
- 9) Operating leverage represents ability to use fixed operating cost.
- 10) Time is important factor for investment.

Q2. (A) Explain concept of investment & its characteristics.

8 Marks

(B) Explain the phases of Portfolio Management.

7 Marks

OR

Q2. (C) The rate of return of stock of SAM ltd and CAM ltd under different State of economy are given below :

15 Marks

	Probability	Returns of SAM LTD %	Returns of CAM LTD %
Boom	0.33	6	9
Normal	0.33	18	12
Recession	0.34	15	19

(a) Calculate the expected return and standard deviation of return on both the stock.

12 Marks

(b) If you could invest in either stock, but not in both, which stock would you prefer?

3 Marks

Q3) Following information is available relating to LG Limited and PG limited

15 Marks

Particulars	LG Limited	PG limited
Equity Share Capital (Rs.10 face value)	Rs.400 lakhs	Rs.500 lakhs
Reserves & Surplus	Rs 30 lakhs	Rs 50 lakhs
12 % Preference Shares	Rs.160 lakhs	Rs 200 lakhs
10% Debentures	Rs 100 lakhs	Rs 150 lakhs
Profit after tax	Rs.100 lakhs	Rs 140 lakhs
Proposed Dividend	Rs.70 lakhs	Rs.80 lakhs
Market Price Per Share	Rs.400	Rs.560
Current Assets	Rs.160lakhs	Rs.180lakhs
Quick assets	Rs 110 lakhs	Rs 130 lakhs
Current Liabilities	Rs.80 lakhs	Rs.90 lakhs

Calculate :

- (i) Earnings per share (ii) P/E Ratio (iii) Dividend Payout Ratio (iv) Return on Equity Shares (v) Current Ratio ,(vi) Quick ratio ,(vii) Debt-equity ratio (viii) Which company is good in investing.

OR

Q3) a) Explain different types of charts

8 Marks

b) Explain the Efficient Market Hypothesis.

7 Marks

Q4) a) The details of three portfolios are given below.

8 Marks

Portfolio	Average Returns (%)	Beta	Standard Deviation(%)
B LTD	18	1.4	0.30
K LTD	12	0.9	0.35
Market Index	14	1.0	0.25

Compare the portfolios B ltd and K ltd on performance using Sharpe, Treynor and Jenson measures and rank the portfolios. Risk Free return is 8 %.

b) A Government of India bond of Rs.1,100 each has a coupon rate of 9% p.a. and maturity period is 7 years. If the current market price is Rs.1020. Find YTM.

7 Marks

OR

Q4) a) Explain various Investment Avenues.
b) What are the different types of risks.

8 Marks
7 Marks

Q5) a). Calculate of Beta

8 Marks

Year	Sachi Ltd	Market Return
1	18	15
2	16	17
3	13	15
4	14	16
5	17	18

b) Calculate the operating leverage, financial leverage and combined leverage from the following data

7 Marks

Particulars	Xion LTD	Yion LTD
Output (in units)	2,00,000	1,00,000
Sales (per unit (Rs.))	3.00	2.50
Variable cost per unit (Rs)	1.00	1.50
Fixed cost (Rs)	Rs 1,60,000	Rs 70,000
Interest (Rs)	Rs 40,000	Rs 20,000
Income tax	30%	30%

OR

5. Give short notes on: (Any three)

15 Marks

1. Dow Theory
2. Arbitrage Pricing Theory
3. Difference between Fundamental Analysis and technical analysis
4. Difference between Investment and Speculation
5. Types of investors