

Q.1 A Multiple choice question. (Any 8)

(08)

1. Return on investment is determined by _____.
a) Net Profit b) Capital Employed c) Net Profit and Capital Employed.
2. _____ believed in fundamental analysis.
a) Charles Dow b) Elliot Wave c) Welles Wilder
3. The _____ related with investment activities is known as operating leverage.
a) EBIT b) EBT c) EAT d) Leverage
4. Return and _____ are two important characteristics of every investment.
a) Risk b) Weak Market c) APT
5. _____ calculates a required return based on a risk measurement.
a) CAPM b) APT c) SML d) CML
6. _____ EMH assumes that the rate of return on the market are independent.
a) Strong-form b) Semi-strong form c) Weak form d) Hypothesis
7. _____ chart is the simplest form of charting.
a) Line b) Bar c) Japanese Candle Stick d) Point and figure chart
8. _____ reflect resistance & support level in an upward moving market.
a) Head & Shoulder b) Flag c) Trend d) Triangle
9. _____ helps to reduce risk.
a) Securities b) SML c) Diversification d) Concave
10. Which theory believes that the investors prefer larger to smaller returns from securities?
a) Modern b) Traditional c) Markowitz d) Sharpe

B) State whether the following statements are true or false. (Any 07)

(07)

1. The higher the risk of a security, the lower would be the return expected from it.
2. A risky asset is one whose return is certain such as government security.
3. All security factors are determined by CML.
4. Fundamental Analysts believe that prices move in short, medium and long-term trends.
5. Resistance level is the lower price level at which supply for the shares gains momentum.
6. Examples of solvency ratios include current ratio & quick ratio.
7. $\text{Current Ratio} = \text{Current Liabilities} / \text{Current Assets}$.
8. $\text{Operating leverage} = \text{EBIT} / \text{Contribution}$.
9. $\text{Net Profit} = \text{Net Sales} / \text{Net Profit} * 100$.
10. Proprietary fund includes current asset, fixed asset and investment.

Q.2 A. Define leverages. Explain the types of leverages.

(07)

B. Explain the concept of industry analysis.

(08)

Q.2 Following is the balance sheet of Amit Ltd. as on 31st December, 2017.

(15)

LIABILITIES	RS.	ASSETS	RS.
Equity Share Capital @ Rs. 10 each	6,00,000	Land & Building	6,00,000
Reserves & Surplus	4,00,000	Plant & Machinery	5,00,000
8% Debentures	5,00,000	Stock	2,60,000
Creditor	2,00,000	Debtors	3,00,000
Proposed Dividend	60,000	Cash & Bank	1,00,000
Total	17,60,000	Total	17,60,000

Additional Information.

1. Cost of Goods Sold Rs.9,00,000.
2. Administrative & other expenses. Rs. 1,00,000.
3. Sales Rs. 15,00,000.
4. Net Profit After Tax Rs. 3,60,000.
5. Market price of the Company's Share Rs. 600 p.s.

You are required to calculate:

1. Return on Equity.
2. Dividend Yield Ratio.
3. Dividend Payout Ratio.
4. Net Profit Margin.
5. Debt Equity Ratio.
6. EPS
7. P/E Ratio.
8. GP Ratio.

Q.3 Calculate the degree of operating leverage, financial leverage and combined leverage. (15)

Firms	A	B	C
Output (units)	60,000	15,000	1,00,000
Fixed Cost (Rs.)	7,200	14,000	1,500
Variable Cost Per Unit (Rs.)	0.20	1.50	0.02
Interest on Borrowed Capital (Rs.)	4,000	8,000	Nil
Selling Price Per Unit (Rs.)	0.60	5.00	0.10

OR

Q.3 A. The following projections are related to Company A.

(07)

Sales (units)	80,000
Variable Costs per unit (Rs.)	4
Fixed Costs (Rs.)	2,40,000
Interest burden on Debt (Rs.)	1,20,000

Selling Price per unit (Rs.) 10

On the basis of above data compute: (a) Operating Leverage (b) Financial Leverage
(c) Combined Leverage.

B. (i) Calculate degree of operating leverage, financial leverage and combined leverage from the following data: (08)

Sales 1,00,000 units at Rs. 2 per unit is Rs. 2,00,000. ; Interest Charges Rs. 3,668

Variable Cost per unit at Rs. 0.70; Fixed Costs Rs. 1,00,000.

(ii) Which combinations of operating and financial leverages constitute: (a) Risky Situation.
(b) Ideal Situation.

Q.4 A. The expected return and Beta of three securities are as follows: (07)

Securities	A	B	C
Expected Return (%)	18.0	11.0	15.0
Beta	1.7	0.6	1.2

If risk free rate is 9% and market return are 14%, which of the above securities are above, under or correctly valued in the market? What should be your strategy?

B. Solve the following for Eagle Ltd. (08)

Risk free return may be taken at 10%. You are required to calculate Average Return on Portfolio using CAPM.

Particulars	Initial Price	Market Price (at the end of the year) (Rs.)	Beta Factor
Bulbul Ltd.	13	19	1.25
Sparrow Ltd	20	25	1.00
Oriole Ltd.	24	30	1.33

OR

Q.4 A. Distinguish between Operating Leverage V/s Financial Leverage. (07)

B. Distinguish between APT V/s CAPM. (08)

Q.5 A. What is Technical Analysis ? Explain its principles. (07)

B. Explain the assumptions of Random Walk Theory. (08)

OR

Q.5 Write short notes. (Any 3) (15)

1. APT
2. CML V/s. SML
3. Dow theory
4. Types of chart pattern.
5. Economy Analysis.