

3rd Year (Sem-VI) B.Com. (Hons) University Examination, 2015
 (~~1st/2nd Semester/Repeat/Supplementary/Spl Supplementary/Old/Annual/Bi-Annual~~)
SUBJECT: Security Analysis and Portfolio Management
PAPER: Theory (Com/AF/6.3)

TIME: 2 hrs

FULL MARKS: 50

Answer any five questions; each question carries each marks.

1.
 - a) What are the characteristics that an investor would like to have in an investment option?
 - b) Distinguish between investment and speculation. (6+4=10)

2.
 - a) If an investor expects to get ₹ 5 as dividend from a share next year and hopes to sell of the shares at ₹ 50 after holding it for one year, and if his required rate of return is 25%, calculate the present value of this share.
 - b) X Ltd has a 20% debentures with a face value of ₹ 1,000 that matures at in 15 years. The debentures is callable in five year at ₹ 1114. It currently sells for ₹ 1005. Calculate the following for this debentures.
 - i) Yield to Call
 - ii) Yield to maturity
 - iii) Current Yield (5+5=10)

3.
 - a) "The Elliot wave Theory is based on the principle that action is followed by reaction" Explain.
 - b) Explain the merits and demerits of technical analysis as a tool of security analysis. (5+5=10)

4.
 - a) Use the following data to calculate the variance and standard deviation for a portfolio containing stock 1 and 2.
 $r_{12}=0.65$ $\sigma_1=3$ $\sigma_2=27$
 $w_1=0.70$ $w_2=0.30$
 - b) What happens to the risk of a portfolio as more and more securities are added to the portfolio. (5+5=10)

5.
 - a) Explain Single Index Mode.
 - b) Describe the concept of efficient frontier in the context of portfolio selection. (5+5=10)

6.
 - a) A stock costing ₹ 240 pays no dividend. The possible price that the stock might sell for at the end of the year with the respective probabilities are as follows :

Price (₹)	Probabilities (₹)
225	.1
240	.1
250	.2
260	.3
270	.2
280	.1

Calculate expected return and standard deviation of returns.

- b) Explain the risk and return relationship.

(8+2=10)

[P.T.O]

7.

- a) "Stock Exchange provides the linkage between the savings in the household sector and the investment in the Corporate Sector"-Explain.
- b) Explain the role of Primary Market in raising fresh capital for the Corporate Sector. (5+5=10)

8.

Write short notes on :

- a) Interest rate risk
- b) Market risk
- c) Purchasing power risk
- d) Systematic risk
- e) Unsystematic risk

(5 X 2=10)