# FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2016

(CUCSS)

## MC 4E (FM) 02—SECURITY ANALYSIS AND PORT-FOLIO MANAGEMENT

(2010 Admission onwards)

Time : Three Hours

Maximum : 36 Weightage

## Part A

*Answer* **all** *questions.*

*Each question carries 1 weightage.*

1. What is business risk ?

2. Enumerate the mathematical indicators relating to security.

3. What is market efficiency ?

4. What is present value ?

5. Enumerate the behaviour models.

6. What is time weighted returns ?

(6 × 1 = 6 weightage)

## Part B

*Answer any* **six** *questions.*

*Each question carries 3 weightage.*

7. Distinguish between the fundamental analysis and technical analysis of a security.

8. Distinguish between Active Portfolio revision and Passive Portfolio revision.

9. Explain Dow theory with an example.

10. How would you determine the bond price changes with an example ?

11. Explain the limitations of Capital market theory.

12. Discuss the Sharpe and Treynor measures and their applicability.

13. A Rs. 1000 par value bond, carrying a coupon rate of 11 percent is maturing after 8 years. The bond is currently selling for Rs.800, what is the Yield to Maturity (YTM) on the bond ?

14. Explain how would you measure diversification with an example.

(6 × 3 = 18 weightage)

**Turn over**

## Part C

*Answer any **two** questions.*

*Each question carries 6 weightage.*

15. Trace the attitude towards reward and risk in the Indian context.

16. A company with equity capital of Rs. 50 crores (Face Value of Rs.10/- per share) makes gross profit of Rs.70 crores and net profit after tax of Rs. 25 crores. If the market price of its equity share is Rs. 50, what is the PE ratio ?

17. You are required to evaluate an investment in 2 securities whose past 10 years of returns are shown below :

| | | | | | Years | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Company A | 35 | 24 | – 7 | 6 | 18 | 32 | – 5 | 21 | 18 | 8 |
| Company B | 30 | 29 | – 12 | 1 | 15 | 30 | 0 | 18 | 27 | 10 |

(a) Calculate the standard deviation of each company's return.

(b) Calculate the correlation coefficient between company's returns.

(c) Assume that you had placed 40% of Investment money in each of the 2 company's shares. What would have been the standard deviation of your return and average yearly return ?

(2 × 6 = 12 weightage)