



K24P 0341

Reg. No. : .....

Name : .....

IV Semester M.Com. Degree (C.B.S.S. – Reg./Supple.-(One Time Mercy  
Chance)/Imp.) Examination, April 2024

(2014 Admission Onwards)

Elective – A : FINANCE

COM 4E01 : Security Analysis and Portfolio Management

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer any four questions in this Section. Each question carries 1 mark for Part (a), 3 marks for Part (b) and 5 marks for Part (c).

- Define the term, 'Hedging' in the Investment context.
  - Highlight the important assumptions in the Dow Theory.
  - Distinguish between Systematic Risk and Unsystematic Risk.
- What is an 'Efficient Frontier'?
  - A 2-year bond of the Face value of ₹ 1,000 issued at a discount of ₹ 797.49. Determine the spot interest rate of the bond.
  - Compare and contrast Capital Market and Money Market.
- Explain briefly, the concept of MGD.
  - Bosco Ltd. pays a dividend of ₹ 4 per share. If the company's dividend per share is expected to be ₹ 7.05 per share at the end of 5 years; then at what annual rate is the dividend expected to grow?
  - Examine various factors that will be considered for company analysis.
- What are 'Formula Plans'?
  - An investor expects to get a dividend of ₹ 3, ₹ 4 and ₹ 5 from a share during the next 3 years and hopes to sell at ₹ 80 at the end of the third year. The required rate of return is 20%. Determine the present value of the share to the investor.
  - Distinguish between Options and Forwards.

P.T.O.



5. a) What does the 'Prospect Theory' state ?  
 b) Illustrate the different factors influencing the investor's choice for equity investments.  
 c) Evaluate which of the funds performs better using Jensen's measure based on the following details :

Funds	Returns (%)	$\beta$
A	18	1.2
B	15	0.8
C	21	1.5
Market Index	16	1.0

Market Beta = 1.0

$R_f = 10\%$ .

6. a) An investment provides a return of 10%, 20%, 30%, and 40% with probabilities of 25%, 30%, 15% and 30% respectively. Compute the expected return.  
 b) What is the rationale behind Technical Analysis ? Outline its criticisms.  
 c) Given below are the likely returns of ABC Ltd. and XYZ Ltd. in various economic conditions. Both shares are presently quoted at ₹ 100 per share. Which of the two companies are risky investments ?

Economic Conditions	Probability	Returns of ABC Ltd.	Returns of XYZ Ltd.
Boom	0.40	100	150
Recovery	0.35	110	130
Depression	0.25	120	90

(4×9=36)

### SECTION – B

Answer the two questions in this Section. Each question carries 12 Marks.

7. a) Who are the participants in the Indian Securities Market ? Describe their functions in detail.

OR



- b) Jaya Ltd. has a 14% debenture with a face value of ₹ 100 that matures at par in 15 years. The debenture is callable in 5 years at ₹ 114. It is currently being sold at ₹ 105. Calculate each of the following :
- (i) Current Yield (ii) Yield to Maturity (iii) Yield to Call.

8. a) The following data are available to you as a portfolio manager :

Security	Estimated Return	Beta	Standard Deviation (%)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10	0.5	20
Market Index	15	1.0	18
Govt. Security	7	0	0

- i) In terms of SML, which of the securities listed above are underpriced ?
- ii) Assuming that a portfolio is constructed with equal proportions of the 5 securities listed above; calculate the expected return and risk of such a portfolio.

OR

5) The historical returns of two securities over the past 10 years are given below :

Years	1	2	3	4	5	6	7	8	9	10
Security P Return (in %)	12	8	7	14	16	15	18	20	16	22
Security Q Return (in %)	20	22	24	18	15	20	24	25	22	20

Calculate the following :

- i) Covariance.
- ii) Correlation coefficient of the two returns.
- iii) If the portfolio is constructed with 50% of security P and the remaining with security Q; then what will be the portfolio SD ? **(2×12=24)**