Reg. No. : ....

Name : ....

K18P 0380

Fourth Semester M.Com. Degree (Reg./Suppl./Imp.) Examination, March 2018
(2014 Admn. Onwards)
Elective – A – FINANCE
COM4E01 : Security Analysis & 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**.

1. A) Define Investment.
   B) What are the objectives of Investment ?
   C) How investment is differentiated from speculation ?
2. A) What is a Financial Market ?
   B) Distinguish between Money Market and Capital Market.
   C) Who are the participants in a Financial Market ?
3. A) Define the term risk.
   B) What is systematic risk ?
   C) What is unsystematic risk ?
4. A) What do you mean by Capital Asset Pricing Model of Portfolio theory ?
   B) What are the assumptions of CAPM ?
   C) Security P has a beta of 0.75 white security Q has a beta of 1.45. Calculate the expected return for these securities under CAPM, assuming that the risk free rate is 5 % and the expected return of the market is 14 %.
5. A) Define the term Bond.
   B) Explain default risk and interest rate risk associated with bonds.
   C) Mr. John owns a Rs. 1,000 face value bond with 5 years to maturity. The bond makes annual interest payment of Rs. 80. The bond is currently priced at Rs. 960. Given, the market interest rate is 10 %, calculate the intrinsic value of the bond. P.V. factor @ 10 % for 5 year = 0.629 and P.V. annuity for 10 % discount rate for 5 years = 3.7908.

P.T.O.

6. A) Define a Portfolio.

   B) What is portfolio evaluation ?

   C) An investor own a portfolio that over the last 5 years has produced 16.8 % annual return. During that time the portfolio produced a 1.10 beta. Further, the risk free return and market return averaged 7.4 % and 15.2 % per year respectively. Evaluate the performance of the portfolio using Treynor Ratio. Treynor Ratio for market index may be the benchmark for evaluation. **(4×9=36)**

SECTION – B

Answer the following questions. **Each** question carries **12** marks.

7. A) A share is currently selling for Rs. 65. The company is expected to pay a dividend of Rs. 2.50 on the share at the end of the year. It is reliably estimated that the share will sell for Rs. 78 at the end of the year.

   1) Assuming that the dividend and price forecasts are accurate, would you buy the share to hold it for one year, if your required rate of return were 12 % ?

   2) Given the current price of Rs. 65 and the expected dividend of Rs. 2.50, what would the price have to be at the end of one year to justify purchase of the share today, if your required rate of return is 15 % ?

   OR

   B) What do you mean by fundamental analysis ? Describe the key economic variables that an investor must monitor as part of his fundamental analysis.

8. A) P Ltd. had a 14 % debenture with a face value of Rs. 100, that matures at par in 15 years. The debenture is callable in 5 years at Rs. 114. It currently sells for Rs. 105. Calculate each of the following for this debenture :

   a) Yield to call

   b) Current yield

   c) Yield to maturity.

   OR

   B) What is Technical Analysis ? Explain various tools of technical analysis. **(2×12=24)**
