Exam. Code : 217603
Subject Code : 5639

M.Com. 3rd Semester (Batch 2020-22)

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Paper—MC-311

Time Allowed—3 Hours] [Maximum Marks—100

Note :— Attempt **FIVE** questions in all, selecting at least **ONE** question from each section. The fifth question may be attempted from any section. All questions carry equal marks.

SECTION—A

1. (a) What is Investment ? Elaborate primary and subsidiary objectives of investment with suitable examples.

    (b) Compute the Expected return and risk of following two securities :

State	Probability	RA	RB
Bear	0.30	–10%	–20%
Normal	0.20	18%	10%
Bull	0.50	25%	20%

10+10

2. (a) An investor is considering the purchase of the following bond :

Face value Rs. 100

Coupon rate 11%

Maturity : 3 years

   (i) If he wants a yield of 13% what is maximum price he should be ready to pay for ?

   (ii) If the bond is selling for Rs. 97.60, what would be his yield ?

   (b) What is an Initial Public Offer (IPO) ? Briefly discuss the methods of fixing prices in an IPO.

10+10

SECTION—B

3. Discuss the relevance of economic analysis for an investor while evaluating a security. Elaborate various macroeconomic factors in light of present pandemic of COVID-19 to be considered for investment decision making. 20

4. What is Technical analysis ? Discuss the various types of charts used by technical analysts to predict future price behaviour of securities. 20

SECTION—C

5. (a) "Efficient market hypothesis implies that security prices fully reflect all the available information and adjust rapidly to inflow of new information"— Elucidate.

   (b) What are the various tests available for testing different forms of market efficiency? **20**

6. You are given the following two securities. Calculate portfolio return and risk if an investor invest.

   (i) 50% in A and 50% in B

   (ii) 20% in A and 80% in B

Security	A	B
Expected Return	15%	9%
Standard Deviation	5.3%	2%

Coefficient of correlation between A and B = -0.94.

10+10

SECTION—D

7. What are financial derivatives? Elaborate different types of financial derivatives with suitable examples.

20

8. Compare the following two portfolios on the basis of Sharpe ratio and Treynor ratio and interpret the results :

Portfolio	Return from the portfolio	Standard Deviation (%)	Beta
A	10%	15	0.40
B	20%	25	3
Market portfolio	15%	18	1

Risk free rate of return = 8%. 20