Paper / Subject Code: 85502 / Security Analysis and Portfolio Management

BI 25/04/24

TIME: 2 ½ Hrs **MARKS:75**

N.B. 1) All questions are compulsory.
2) Figures to the right indicate full marks.

1. a) Rewrite the whole sentence with correct option: (answer any 8) 8 Marks

1. An activity involving high risk without expecting high returns is known as ___________.
a) speculation b) investment
c) gambling d) any of the above

2. When profit after tax is 70 lakh and preference dividend is 12 lakh with number of equity shares 25 lakh then EPS is ____________
a) 3.32 b) 2.32
c) 202 d) 2.52

3. A measure that compares the behaviour of returns of two securities with each other is known as ________.
a) coefficient of correlation b) variance
c)coefficient of variance d) range

4. If the risk-free rate is 3%, the beta of AMI is 1.2, and the rate of return of is the expected return on AMI as per the market portfolio is 12%, what CAPM will be __________%.
a) 12.8 b) 10.8
c) 13.8 d) 14.8

5. Single index model is based on ________ paring of securities.
a) Direct b) Quick
c) Index d) None of the above

6. An arbitrage opportunity exists if an investor can construct a ____________ investment portfolio that will yield a guaranteed profit.
a) Small c) Large
b) Zero d) negative

7. Return on Capital employed is a ____________ ratio.
a) unlevered b) levered
c) solvency d) liquidity

8. ________ institution is set by government of India for dealing with all matters relating to security market
a) IRDA b) RBI
c)SEBI d) ICICI

9. The objective of portfolio is to reduce _________by diversification
a) Uncertainties b) certainties'
c) ratio d) balance sheet

10. The daily high price is represented on a candlestick chart by the ___________.
a) real body c) channel
b) trend-line d) shadow

1. b) State whether following statements are true or false: (Answer any 7) **7 Marks**

1. Returns and risk are inversely proportional to each other.

2. High financial leverage is the source of unsystematic risk.

3. Markowitz theory of portfolio management is most concerned with elimination of systematic risk.

4. Under dividend payout option cash dividends are paid to unit holders of mutual fund.

5. Public provident fund is a source of long time finance

6. Modern portfolio theory states that the risk can be reduced by diversification

7. If miss Priya purchased 300 shares of ABC ltd of rupees 70 each by paying brokerage of 500 then Pb (Price at the Beginning) = 21000

8.Risk is less when returns are high and it is more when return is low

9.Technical analysis believes stock market moment is 10% psychological and 90% logical

10.The relationship between stock return and market index structure is called beta

Q.2 A. Explain concept of Investment and its objectives. **8 Marks**

B. Explain the Role of Portfolio Manager. **7 Marks**

OR

Q.2 C. Give below are the likely returns in case of shares of A Ltd. and B Ltd. in the various economic conditions. **15 Marks**

Economic Conditions	Probability	Returns of AKHAROT Ltd (%)	Returns of WALNUT Ltd (%)
High growth	0.25	6	9
Low growth	0.25	18	12
Recession	0.50	15	19

1. Which of the companies is risky investment?

2. Mr. Prakash has Rs 2000 and wants you to recommend one of the above two shares for investment.

Q.3. A. Differentiate between Fundamental analysis and Technical analysis **8 Marks.**

B. Explain the forms of Market Hypothesis **7 Marks**

OR

Q.3 The following information is available in respect of two listed companies namely Jay Ltd. and Vijay Ltd.
15 Marks

Particulars	CASHEW LTD.	KAJU LTD.
Equity Share Capital (Rs 10)	Rs 800 lacs	Rs 1,000 lacs
Reserves & Surpluses	Rs. 60 lacs	Rs.100 lacs
12% Preference Share Capital	Rs 100 lacs	Rs 200 lacs
Profit Before Tax	Rs 400 lacs	Rs 600 lacs
Rate of Taxation	30%	30%
Dividend per Share	Rs 3	Rs 2
Market Price per Share	Rs 150	Rs 120
Current Assets	Rs 320 lacs	Rs 360 lacs
Current Liabilities	Rs. 160 lacs	Rs 180 lacs
Quick Assets	Rs 180 lacs	Rs 90 lacs

You are required to calculate:

a. Earnings per Share
b. P/E Ratio
c. Dividend Payout Ratio
d. Return on Total Capital
e. Current Ratio.
f. Quick Ratio.

g. Also advise which company should be preferred for investing in.

Q.4 A. Explain factors conducive to Investment in India. **8 Marks**

B. What are the different types of Risks. **7 Marks**

OR

Q.4 C. From the following data evaluate the performance of the funds & the market using Sharpe's Treynor's & Jenson's Index. For evaluation of portfolio Risk-free rate is 8%.
8 Marks

	Equity Fund	Debt Fund	Balanced Fund	Market
Return	18 %	10 %	12 %	10 %
Standard Deviation	0.5	0.2	0.3	0.2
Beta	2	1	1.5	1

Q. 4 D. A Government of India bond of Rs. 1,000 each has a coupon rate of 7.5%p.a. & maturity period is 25 yrs. If the current market price is Rs. 1,050. Find the YTM of the bond.

Q.5 A. Calculate Beta and expected returns for Anjeer Ltd.
Return on government securities is 8%. Return in earlier years is: **8 Marks**

Home	Anjeer Ltd	Market Return
1	10%	12%
2	12%	14%
3	15%	20%
4	18%	21%

Q.5 B. Calculate the degree of operating leverage, degree of financial leverage and the degree of combined leverage for the following firms and interpret the results: **7 Marks**

Firms	ALMOND	BADAM
Output(Units)	6,00,000	150,000
Fixed Cost (Rs.)	72,000	140,000
Variable Cost Per Unit (Rs.)	0.20	1.50
Interest on Borrowed Capital (Rs.)	40,000	80,000
Selling Price Per Unit(Rs.)	0.60	5.00
Tax Rate (%)	40	40

OR

Q.5 Give short notes on (Any 3)

1. Elliott wave Theory.
2. Assumptions of CAPM Model.
3. Assumptions of Technical Analysis.
4. Portfolio Revision.
5. Investment V/S Speculation.

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