

Duration: 2 ½ hours

Marks: 75

Note: 1) Figures to right indicate marks

2) Support your answer with working notes where ever required

Q.1. (A) Multiple choice Question (Any 8)

(08)

- 1) Debt equity ratio is \_\_\_\_\_ the better.  
a] Higher b] Lower c] Profitability d] Liquidity
2. The ideas of selecting securities in a portfolio based on coefficient of correlation of their returns were purported by \_\_\_\_\_.  
a] William Sharpe b] Harry Markowitz c] Black and Scholes d] Walter
3. The market risk refer to the variability in the \_\_\_\_\_ caused by the market up swings and market down swings.  
a] Price b] profit c] Rate of return d] None of the above
4. A \_\_\_\_\_ is simply a graphical representation of a series of prices over a set time frame.  
a] Table b] Diagram c] Chart d] None of the above
5. An \_\_\_\_\_ primary trend represents a bull market.  
a] Sideward b] Positive c] Downward d] upward
6. The graphical version of the CAPM is called \_\_\_\_\_ market line  
a] Graphical b] Straight c] Security d] Positive
7. \_\_\_\_\_ is used as denominator in Sharpe's Ratio  
a) Standard Deviation b) beta c) Risk free Return d) Market Return
8. \_\_\_\_\_ Analysis is a study based on market emotions and share price movements  
a) Fundamental b) Technical c) Moral d) All of the above
9. Beta is type of \_\_\_\_\_ risk.  
a) Business b) unsystematic c) systematic d) Total
10. \_\_\_\_\_ refers to combination of various assets in which investors can invest money.  
a) Portfolio b) returns c) liquidity d) Total

Q1 (B) State whether the following are True or false (any Seven)

(7)

1. Repayment of debt will always increase return on net worth
2. APT is model a multi factor model.
3. Example of profitability ratios includes current ratio and quick ratio.
4. Tax planning is one of the important objectives in Investment .
5. Strong form covers the least amount of information.
6. Stock turnover ratio is a liquidity ratio.
7. Treynor's measure ignores any unsystematic risk that might be present.
8. Holding Period Return Annualized Return are one and same.
9. Yield to maturity is total return on bonds.
10. Risk element is limited or very low in Gambling as compared to Investment.

2. (A) Explain Factors influencing selection of Investment (08)  
 (B) Explain the advantages of Portfolio Management. (07)

OR

2. C) The rate of return of stock of Page Ltd and Sage Ltd under different state of economy is given below : (15)

Economic Condition	Probability	Returns of Page Ltd %	Returns of Sage Ltd %
High Growth	0.15	17	21
Low Growth	0.25	15	18
Stagnation	0.35	10	07
Recession	0.25	- 05	- 08

- i) Calculate the expected rate of return and standard deviation of return on stock of Page Ltd. and Sage Ltd.  
 ii) As an investor which company would you prefer for investment.

- Q3) A) Explain different types of charts. (08)  
 Q.3.B) Explain the efficient market hypothesis in detail. (07)

OR

- 3) C) Following information is available relating to A Ltd. and B Ltd. (15)

Particulars	A Ltd. Rs. in Lakhs	B Ltd. Rs. in Lakhs
Equity Share of Rs. 10 each	200	250
10% Preference Share Capital	80	100
15 % Debentures	20	60
EBIT	60	80
Proposed Dividend	20	25
Provision for Tax	17	21
Market Price Per Share	Rs. 50	Rs. 60

You are required to calculate:

- (i) EPS (ii) P/E Ratio (iii) Dividend Pay-out Ratio (iv) Dividend Yield Ratio (v) Return on Equity (vi) Return on Capital Employed (vii) Debt-equity ratio

- Q4) A) The details of three portfolios are given below. (08)

Portfolio	Average Returns (%)	Beta	Standard Deviation (%)
K Ltd	10	1.0	0.2
H Ltd	12	1.25	0.3
R Ltd	15	1.10	0.25
Market Index	13	1.20	0.25

Compare these portfolio on performance using Sharpe and Treynor measures and rank the portfolios. The Risk Free return is 6 %.

- Q.4.B) A Government of India bond of Rs.1,000 each has a coupon rate of 7.5% p.a. and maturity period is 25 years. If the current market price is Rs.1050. Find YTM. (07)

OR

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