

**Duration: 2.30 hours**

**Marks: 75**

NB: (1) All questions are compulsory having internal option.

(2) Figures to the right indicate marks allocated to each question.

(3) Simple calculator is allowed.

1. (A) Select the right option and rewrite the sentence. (Any 8) (08 Marks)

- i. \_\_\_\_\_ refers to an investment ready to convert into cash position.  
a) Speculation      b) Risk      c) Liquidity      d) Profitability
- ii. \_\_\_\_\_ do not need large amount of cash to start investing.  
a) Large Cap      b) Mid Cap      c) Small Cap      d) Penny Stocks
- iii. A measure of "risk per unit of expected return" is \_\_\_\_\_.  
a) standard deviation      b) beta  
c) correlation coefficient      d) coefficient of variation
- iv. Insurance is a \_\_\_\_\_ investment.  
a) speculative      b) short term      c) protective      d) interest rate
- v. Technical Analysis reflects the idea that stock prices \_\_\_\_\_.  
a) move upward over time      b) move inversely over time  
c) move in trends      d) move randomly
- vi. Market Risk is also called as \_\_\_\_\_.  
a) Unique risk and non-diversifiable      b) non-diversifiable and systematic risk  
c) systematic risk and diversifiable risk      d) systematic risk and unique risk
- vii. According to security market line, the expected return of any security is function of \_\_\_\_\_.  
a) Total risk      b) systematic risk      c) unsystematic risk      d) diversifiable risk
- viii. As per capital asset pricing model, securities that lie on security market line are \_\_\_\_\_ valued.  
a) correctly      b) over      c) under      d) not
- ix. \_\_\_\_\_ calculates a required return based on a risk management.  
a) Capital Asset Pricing Model      b) Capital Market Line  
c) Security Market Line      d) Arbitrage Pricing Theory
- x. \_\_\_\_\_ is the measure of risk adjusted return of a financial portfolio.  
a) Dow Theory      b) Sharpe Ratio      c) Treynor      d) Jensen

(B) Give True or False: (Any 7) (07 Marks)

- i. Investing in equity shares is a tax saving investment.
- ii. Examples of solvency ratio include current ratio and quick ratio.
- iii. Portfolio Evaluation refers to the evaluation of the revision of the portfolio.
- iv. The minimum maturity of treasury bills is 28 days.
- v. Central & State Government can issue Gilt – Edge Securities.
- vi. Speculators are short term Investors.
- vii. Public Provident Funds are Tax Saving Investments.
- viii. Nifty Index is having 50 stocks.
- ix. Portfolio means combined holding of many kinds of financial securities.
- x. Markowitz approach provides a systematic search for optimal portfolio.



2. (A) Differentiate between Investment and Speculation. (08 Marks)

(B) What are the functions of Merchant Bank? Explain in brief. (07 Marks)

OR

2. (C) The security return on stock of Cipla Ltd. and Lupin Life Ltd. under different status of economy are given below:

Particulars	Boom	Low Growth	Stagnation	Recession
Probability	0.35	0.25	0.25	0.15
Return on stock of Cipla Ltd. (%)	46	42	38	28
Return on stock of Lupin Ltd. (%)	39	36	34	30

Calculate the expected return and standard deviation of return on both the stocks and advise to invest in one of them. (08 Marks)

2. (D) The security return of Indcoat Shoe Ltd. and market return are below:

Particulars	1	2	3	4	5	6	7
Return on security of Indcoat Shoe Ltd. (%)	13	15	16	19	21	23	26
Market Return (%)	13	14	17	19	21	23	26

Calculate Beta on security of Indcoat Shoe Ltd. (07 Marks)

3. (A) Define Portfolio Management. Explain the steps in the process of Portfolio Management. (08 Marks)

3. (B) Give a brief note on Fundamental Analysis. (07 Marks)

OR

3. The Balance Sheet of Oberoi Realty Ltd. as on 31<sup>st</sup> March 2023 was as under:

(15 Marks)

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
5,00,000 Equity Shares of Rs. 10 each fully paid	50,00,000	Fixed Assets	77,00,000
8 % Preference shares	20,00,000	Investments	10,00,000
General Reserve	8,00,000	Inventories	8,00,000
10 % Debentures	15,00,000	Debtors	7,50,000
Bank Overdraft	7,00,000	Cash & Bank	2,50,000
Sundry Creditors	6,50,000	Advance Salary	2,00,000
Outstanding Expenses	3,50,000	Preliminary Expenses	3,00,000
<b>Total →</b>	<b>1,10,00,000</b>	<b>Total →</b>	<b>1,10,00,000</b>

Profit after Tax Rs. 8,00,000

Market Price per Share Rs. 35

Dividend per share Rs. 25

**Calculate:**

- i. Current Ratio
  - ii. Earnings Per Share
  - iii. Price-Earnings Ratio
  - iv. Dividend Pay-out Ratio
  - v. Debt-Equity Ratio
- 4.(A) Explain the charting as a technical tool. (8 Marks)
- (B) Explain Elliott Wave Theory in Brief. (7 Marks)

**OR**

- 4.(C) The information for three portfolios of Garments Companies are given below:

(08 Marks)

Portfolio	Average Return on Portfolio (%)	Beta	Standard Deviation
Arvind	23	0.92	0.45
Alok	18	1.45	0.35
Bambay Dyeing	21	1.12	0.25
Market Index	22	1.0	0.30

Compare these portfolios on performance using Sharpe and Treynor Measures. Risk free rate of return is 10%.

- 4.(D) The following information the securities are as follows:

Securities	Expected Return (%)	Beta
Kangaro	18	1.25
BIC Cello	20	1.92
J K Paper	19	0.83
Market Return	22	1.0

If the risk-free rate is 9%. Calculate returns for each security under CAPM. Identify the securities are undervalued or overvalued or at par and advise to Invest. (07Marks)

5. Adv. Fali Nariman, aged 62 years a Practicing Advocate. He is having Rs. 50,00,000 investible fund.

(a) Advise him for Investment avenues available to him which will give a suitable return with maximum return?

(b) Explain the advantages and disadvantages by investing in the specific avenues.

(15 Marks)

**OR**

5. Give Short Notes on: (Any Three)

(15 Marks)

- i. Speculation
- ii. SEBI
- iii. Portfolio Strategy Mix
- iv. Charting Techniques
- v. Dow Jones Theory

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