Reg. No. : ....

Name : ....

Fourth Semester M.Com. Degree (Regular/Supple./Imp.) Examination, March 2017
(2014 Admn. Onwards)
Elective – A : Finance
COM4E01 : SECURITY ANALYSIS AND 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 a Mutual Fund.
   B) Distinguish between open ended and closed ended Mutual Funds.
   C) What are the Mutual Fund investment benefits as compared to direct equity investment ?

2. A) Explain the term yield to maturity of a Bond.
   B) Explain the term duration of a bond.
   C) A bond of Rs. 1,000 face value bearing a coupon rate of 12% will mature after 7 years. What is the value of the bond if the RRR are 14% and 12% ?

3. A) Define a portfolio.
   B) Explain the basic principles of portfolio management.
   C) Discuss efficient market hypothesis.

4. A) Define a stock exchange.
   B) What are the economic functions carried out by a stock exchange ?
   C) Explain the major reforms introduced by SEBI in the Indian secondary market recently.

5. A) What do you mean by portfolio revision ?
   B) What do you mean by Systematic Investment Plan (SIP) ?
   C) Explain the main portfolio revision strategies used.

6. Stock L and M has yielded the following returns for the past two years.

Years	Return of L	Return of M
2011	12%	14%
2012	18%	12%

   A) What is the expected return of a portfolio consisting of 60% L and 40% M ?
   B) Find out the risk of each security.
   C) What is the portfolio risk consisted of 60% L and 40% M ? **(4×9=36)**

SECTION – B

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

7. A) The shares of Zenith Ltd. are currently being sold in the secondary market at Rs. 90 per share. Currently the company pays constant dividend of Rs. 3 per share. The market analysts predict a super normal growth of dividend 15% for the first three years and 12% for the next three years and thereafter the dividend will grow at 10% for ever. Investor's required rate of return is 12%. What is the present value of the share ? Is it desirable to buy at Rs. 90 per share ?

OR

   B) What do you understand by equity valuation ? Explain the dividend capitalization valuation model under
      1) Zero growth
      2) Constant growth and
      3) Super normal growth.

8. A) A portfolio consists of two securities A and B with the following parameters.

   Expected returns of A = 20%, Expected returns of B = 22%, Standard deviation of A = 10%, Standard deviation of B = 12%. Correlation coefficient between the returns is (–) 0.40.

   If the securities are equally weighted, how much is the risk and return of the portfolio ?

OR

   B) Define technical analysis. What are the assumptions of technical analysis ? Explain different tools used for technical analysis. **(2×12=24)**

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