Roll No: ________

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Post-Graduate Department of Commerce (M. Com)

M.Com Part-I, Semester-II, Semester End Examination, May 2023

COTC-411: Security Analysis and Portfolio Management (OA - 35)

Duration: 2 Hours **Max Marks: 40**

Instructions:

1. *This paper consists of Seven questions carrying Equal marks.*
2. *Question No.1 consists of 5 **Compulsory** questions of 2 marks each.*
3. *Answer **any Three** questions from question **2,3,4,5,6, and 7.***
4. ***Each** question carries **10 marks**. Figures to the **right** indicate marks.*

Q.1. Answer the Following Questions: **(5X2=10)**

a) Describe the types of trends defined in the Dow Theory.
b) Describe the Classification of Industries based on Business Life Cycle.
c) The Price of Rs.1000 par value bond carrying a coupon rate of 8% and maturing after 5 years is Rs. 1250. Calculate the Approximate Yield to Maturity on the Bond.
d) State the conditions for Selection of a feasible set of Portfolios.
e) Explain the need for Portfolio Evaluation.

Q.2. The returns on Securities AB and CD under five possible states of nature are given as follows

State	Probability	Return on Security AB (%)	Return on Security CD (%)
Boom	0.30	15	12
Recession	0.10	-10	5
Normal	0.30	18	19
Recovery	0.20	22	15
Slow growth	0.10	27	12

Calculate the Expected returns, Variance, standard deviation and Coefficient of Variance for the returns of AB and CD. **(10)**

Q.3.A. An investor is looking for a five-year investment. The share of Omega Company is selling for Rs 95. They have plans to pay a dividend of Rs 5.50 per share each at the end of first and second years and Rs 8.5 and Rs 15 respectively at the end of third and fourth years. In the Fifth Year the Dividend expected as Rs. 16.75. If the investor's capitalisation rate is 12 percent and the share's price at the end of fourth year is Rs 90, what is the value of the share? Would it be a desirable investment? What will be the instrinsic value of Omega Company's share if it is held for infinite life? **(5)**

B. Following are details on Two Bonds:

	Bond X	**Bond Y**
Face Value	Rs. 1000	Rs. 1000
Coupon Rate	8%	12%
Term to Maturity	4 Years	5 Years
Market Price	Rs. 810	Rs. 980

You are required to Calculate Current Yield and Yield to Maturity on the two bonds using Approximation Technique. **(5)**

Q.4. The South and East Companies have the following joint probability Distribution of returns for the next year: **(10)**

State	Probability	Returns (South Co.) %	Returns (South Co.) %
1	0.1	15	19
2	0.2	-6	-1
3	0.4	11	8
4	0.1	10	13
5	0.2	13	17

a) Determine the expected Covariance of returns for South and East Companies.

b) What is the Correlation of returns between the South and East Companies.

Q.5.A. Rank the following three funds based on Sharpe and Treynors Index.

Growth Fund	Return	Beta	Standard Deviation
S	15	1.5	12
E	17	1.6	14
J	13	0.75	11
Rf	9 %		

Is there any difference in the ranking according to these measures? If so, why? **(6)**

B. Formula Plans provide the basic rules for the purchase and sale of securities in a portfolio. Illustrate and discuss briefly any two types of Formula Plans as per the Investment Objective of Investors. **(4)**

Q.6. A. A Bond of Face Value Rs. 1,000 with maturity of 5 years and coupon rate of 12% pays the Principal amount in equal instalments at the end of each year till maturity. Calculate the yearly payments and Value of the Bond if the required rate of return on such bonds is 15%. **(6)**

B. Discuss in detail the concept of fundamental analysis. What are the approaches commonly used for fundamental analysis in the corporate world in the current scenario? **(4)**

Q.7.A. The following is the information regarding the stocks of four companies:

Stock	Expected return	Beta
Gamma	12%	1.10
Delta	14%	0.80
Epsilon	16%	1.05
Kappa	18%	1.15

If the return from gilt-edged securities is 5% and market index is 15%, you are required to:

a. Identify the undervalued and overvalued securities.
b. Suggest which securities should be bought and which securities should be sold. **(5)**

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B. Portfolio Revision is a continuous and systematic process of revising the proportion of Investment in a portfolio. In light of this statement, Explain briefly the objectives and strategies available for undertaking Portfolio revision. **(5)**

***********ALL THE BEST***********