M.Com. (Semester – I) Examination, November 2018
COC 111 : SECURITY ANALYSIS AND CAPITAL MARKETS (OA – 18)

Duration : 3 Hours

Max. Marks : 60

Instructions : 1) This paper consists of **nine** questions carrying **equal** marks.
2) Question No. **1** consists of **5 compulsory** questions of **2** marks **each**.
3) Answer **any 5** questions from Question No. **2, 3, 4, 5, 6, 7, 8** and **9**.
4) **Each** question carries **10** marks. Figures to the **right** indicate marks.
5) Present value and Logarithm tables will be supplied on request.

1. Answer the following : (5×2=10)
   a) What are the hypotheses under the Dow Theory ?
   b) What is Market Capitalization ?
   c) What is meant by Outcry System ?
   d) What are the assumptions of Yield to Maturity ?
   e) Write in brief about NYSE.

2. A) What are the various forms of investment alternatives ? Give a detailed account of any two. 5
   B) How would you minimize the various risk exposures ? 5

3. A) Explain the importance of economic analysis and state the economic factors considered for economic analysis. 5
   B) 'Industry life cycle shows the status of the industry and gives clues as to entry and exit for investors.' Elucidate. 5

4. Explain in detail the book building process adopted in IPO for efficient price discovery. 10

5. Diagrammatically illustrate the settlement process in capital market segment of NSE. 10

6. A) For the first 4 years, D Ltd. is assumed to grow at a rate of 12% p.a. After 4 years, the growth rate of dividend is assumed to decline linearly to 8%. After 7 years, it will grow at 8% infinitely. The next year dividend is Rs. 4 and required rate of return is 16%. Find out the value of stock. 5

P.T.O.

B) A five year bond with a 5 per cent coupon rate and maturity value of Rs. 1,000 is currently selling at Rs. 900.

    a) What is its yield to maturity ?

    b) Can investor buy it ?   **5**

7. A) The shares of Amazing Ltd. are expected to provide the following returns in different scenario.   **5**

Scenario	Probability	Expected Return (%)
Recession	0.10	10
Normal	0.30	20
Growth	0.50	15
Peak	0.10	5

You are required to compute the standard deviation of stock.

B) The following data give the market return and Rock company scripts return for a particular period.   **5**

| Index Return	Script Return
0.50	0.40
0.60	0.50
0.55	0.45
0.45	0.35
0.50	0.40

What is the beta value of the Rock Company script ?

8. The expected rates of return and their possibilities of occurrence for Stock A and Stock B are given below :   **10**

Conditions of Economy	Probability	Return on Stock A (%)	Return on Stock B (%)
1	0.50	5	10
2	0.40	10	15
3	0.10	20	15

a) What is the covariance of returns on Stock A and B ?

b) What is the coefficient of correlation between the Stock A and Stock B ?
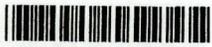
9. You are provided with movements in prices of stock of TCS Ltd. as well as its constituent index Nifty 50. Calculate :

a) ROC of the scripts for the period

b) ROC of the index.

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Date	TCS Ltd.	Infosys Ltd.	Nifty 50
28-Aug-18	2069.2	1424.7	11738.5
29-Aug-18	2072	1410.1	11691.9
30-Aug-18	2082.4	1416.2	11676.8
31-Aug-18	2078.4	1441.1	11680.5
03-Sep-18	2052.9	1434.25	11582.35
04-Sep-18	2098.9	1337.15	11520.3
05-Sep-18	2079.25	1329.9	11476.95
06-Sep-18	2075.3	1327.15	11536.9
07-Sep-18	2079.85	1332.8	11589.1
10-Sep-18	2080.75	1330.85	11438.1
11-Sep-18	2046.25	1334.3	11287.5
12-Sep-18	2043.95	1342.9	11369.9
14-Sep-18	2065.4	1333.7	11515.2
17-Sep-18	2074.15	1325.95	11377.75
18-Sep-18	2070.75	1319.1	11278.9
19-Sep-18	2077.9	1319.75	11234.35
21-Sep-18	2103.15	1305.3	11143.1
24-Sep-18	2198.45	1318.25	10967.4

Also suggest which stock is a better investment option among the two scripts.

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