

M.Com. (Semester – I) Examination, April 2019
COC111: SECURITY ANALYSIS AND CAPITAL MARKETS (OA-18A)

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 **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: (5X2=10)
- What is a Trend Reversal?
 - Differentiate between public issue and private issue.
 - What are the functions of Secondary Market?
 - Write in brief about NASDAQ.
 - Calculate the Current Yield of a bond with a face value of Rs. 500 and a coupon rate of 5%, the current market price of the bond is Rs. 450.
2. A) Define risk and distinguish between systematic and unsystematic risk. 5
- B) What are the investor's objectives in investing his funds in the stock market? 5
3. A) How does a technical analysis differ from a fundamental analysis? 5
- B) The following data depicts stock price movements of Tata Motors Ltd for the period 28th August 2018 to 16th September 2018. 5

Date	Price
28-Aug-2018	261.14
29-Aug-2018	266
30-Aug-2018	265.85
31-Aug-2018	263.18
01-Sept-2018	263.10
02-Sept-2018	266.89
03-Sept-2018	266.74
04-Sept-2018	263.46
05-Sept-2018	260.05
06-Sept-2018	264.19
07-Sept-2018	267.10
08-Sept-2018	268.05
09-Sept-2018	269.10
10-Sept-2018	270.14
11-Sept-2018	268.87
12-Sept-2018	265.58
13-Sept-2018	269.01

14-Sept-2018	270.10
15-Sept-2018	268.86
16-Sept-2018	271.15

Compute ROC between the following periods:

- 1). 28/08/2018 – 05/09/2018 and
- 2). 07/09/2018 – 16/09/2018

4. Explain the orders management system at NSE. 10

5. Discuss the various methods of floating a new issue. 10

6. A) X Ltd. currently pays dividend Rs. 2 per share which is expected to grow at an annual rate of 10% for the first 6 years. After 6 years, the growth rate of dividend is assumed to decline linearly to 6%. After 9 years, it will grow at 6% forever. If the rate of return required by the equity investor is 12%. Compute the price for the stock. 5

B) A 4 year bond with a 6% coupon rate and maturity value of Rs. 100 is currently selling at Rs. 85. 5

a) What is its yield to maturity?

b) Can investor buy it?

7. The shares of Star Ltd. are expected to provide the following returns in different scenario.

Scenario	Probability	Expected Return (%)
Recession	0.20	5
Normal	0.30	10
Growth	0.10	10
Peak	0.40	20

You are required to compute the standard deviation of Stock. 5

B) The following data give the market return and Sky company scrip's return for a particular period.

Index Return	Scrip Return
0.70	0.30
0.50	0.10
0.55	0.15
0.45	0.05
0.50	0.10

What is the beta value of the Sky Company scrip? 5

8. The expected rates of return and their possibilities of occurrence for Stock P and Stock Q are given below: 10

Conditions of Economy	Probability	Return on Stock P (%)	Return on Stock Q (%)
1	0.10	10	15
2	0.50	20	25
3	0.40	30	20

- a) What is the covariance of returns on Stock P and Q?
b) What is the coefficient of correlation between the Stock P and Stock Q?
9. 'Chart patterns are helpful in predicting the stock price movement'. Comment. 10

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