



M.Com. (Semester – II) Examination, April 2015
CO 204 : SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT (OB-10)

Duration : 2 Hours

Max. Marks : 50

Instructions : 1) **All questions are compulsory.**
2) **Figures in the right side indicate the marks.**

1. A) Speculation Vs Gambling. (5×2=10)
B) What is Beta Risk ?
C) What is Short Selling ?
D) Define Macaulay Duration.
E) Security Market Line Vs Capital Market Line.
2. A) What is Minimum Variance Portfolio ? Discuss in brief how the correlation in a two-asset portfolio effects the diversification. 10
OR
B) What is Fundamental Analysis ? Explain different techniques used in Fundamental Analysis.
3. A) What is Capital Asset Pricing Model (CAPM) ? Discuss the applications of Security Market Line in pricing of securities under CAPM. 10
OR
B) What is Financial Option Contract ? Explain different types of Options Contracts.
4. A) There are three firms having an expected earning of Rs. 6 per share and a dividend of Rs. 3 per share. The required rate of return on equity is 12%. The first firm has no growth in dividends. The second firm has a normal growth rate of 4% and the third firm has a supernormal growth rate of 8%. Compute the stock price, dividend yield and capital gain for the three firms and draw valid conclusions. 10
OR



- B) Two years ago Indian Photo Films Ltd. had issued bonds which have a book value of Rs. 5 crores. These bonds carry an interest rate of 12% per annum payable semi-annually and are redeemable in two equal annual installments, each amounting to 50 percent of the par value of the bonds, payable at the end of the last two years of the life of the bonds. These bonds have a maturity period of 7 years. The yield to maturity on these bonds prevailing in the market is 10%. You are required to find out the aggregate market value of the bonds at present.
5. A) The equity shares of Speciality Foods Ltd., a food processing company, are presently trading at Rs. 96 per share. The company has recently paid a dividend of Rs. 3.00 per share. A security analyst has projected the following information for the next year :

10

Scenario	Optimistic	Normal	Pessimistic
Probability	30%	40%	30%
Projected share price	Rs. 110.00	Rs. 105.00	Rs. 99.00
Projected Dividend	Rs. 4.00	Rs. 3.00	Rs. 3.00
Projected Market Return	15%	12%	8%

You are required to :

- Find out the expected return and risk for the equity shares of the company.
- Find out the expected return and risk for the market.
- Estimate the beta coefficient for the equity shares of the company and state its implication.

OR



B) 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 :

- Identify the undervalued and overvalued securities
- Suggest which securities should be bought and which securities should be sold.