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M.Com. Semester – I
EXAMINATION November 2019
Security Analysis and Capital Markets

[Duration : Three Hours]**[Max. Marks :60]**

- Instructions :**
- i. This paper consists of **nine** questions carrying **equal** marks.
 - ii. Question No **1** consists of **5 compulsory** questions of **2 marks each**.
 - iii. Answer any 5 questions from Question No **2,3,4,5,6,7,8** and **9**.
 - iv. **Each** question carries **10** marks. Figures to the right indicate marks.

- Q.1 Answer the following. **02X05=10**
- a) Distinguish between systematic and unsystematic risk (Give two points each)
 - b) Write short note on Industry life cycle.
 - c) What is technical analysis?
 - d) Public issue v/s. private issue (Give two point each)
 - e) The company next year dividend per share is expected to be Rs.20. The dividend in subsequent years is expected to grow at a rate of 15% per year, if the required rate of return is 20% per year, what should be its price? If current market price is Rs.450. Can investor buy it?
- Q.2
- A) How would your minimize the various risk exposure? **05**
 - B) "Stocks are considered to be risky but bonds are not." This is not fully correct. Elucidate. **05**
- Q.3 Explain the importance of economic analysis and discuss any six economic factors considered for this analysis. **10**
- Q.4
- A) How does book building different from private placement. **05**
 - B) Write short note on ADR and GDR. **05**
- Q.5
- A) explain the different methods of placing an order in the secondary market with the help of an example. **05**
 - B) What are the merits of online trading? **05**
- Q.6 Growth rate of ACC ltd for last five years is 18% and the return would continue to grow at this rate for another three years. The recent dividend paid by the Company to its shareholders is Rs.10 and the earnings per share for 2018-19 is Rs.50 with P/E of 3.5. If an investor wants to buy and hold **10**

this share for next three years. Calculate the value of share if required rate of return is 15%, also advice investors about buying this share if current market price is Rs. 250.

Q.7 An investors has a choice of four stocks for investment, their rates of return and probabilities are given below. 10

Years	A		B		C		D	
	R%	P%	R%	P%	R%	P%	R%	P%
1	-30	20	-20	15	-20	20	-10	10
2	0	40	0	35	10	40	0	25
3	30	30	20	45	40	30	10	40
4	70	10	40	5	80	10	20	25

- a) Find out the expected returns
- b) Find out the standard deviation of the returns and advise investor.
- Q.8 A) A five year bond with a 10% coupon rate and maturity value of Rs. 2000 is currently setting at RS. 1950. Compute yield to maturity. 05
- B) Compute RSI of SBI script for last 10 days and give your comments. 05

Period	Closing price of SBI
1	280
2	281
3	275
4	270
5	255
6	254
7	249
8	248
9	260
10	254

Q.9 From the following data given below, compute coefficient of correlation and covariance of returns between stock X and Y. 10

Period	Probability	Returns of X%	Returns of Y%
1	0.2	30	10
2	0.3	40	30
3	0.1	50	40
4	0.4	20	30