1006E584   Candidate's Seat No :_____

M.Com. (HPP) (FFS) Sem.-2 Examination
CC - 9
Security Analysis & Portfolio Management

Time : 2-00 Hours]   June 2022   [Max. Marks : 50

SECTION: I
(Attempt any TWO questions out of given from section I)

Q.1

(A) Define Investment. Discuss Investment Process.   **10**

(B) Write a short note on the attributes of an Investment.   **10**

Q.2

(A) Discuss Random walk theory of security analysis.   **10**

(B) Write a note on Fundamental analysis.   **10**

Q.3

Following information is available in respect of two investments P & Q and the predictions are:

Situation	Probability	Return %	
		P	**Q**
Bullish	0.20	10	30
Stable	0.60	20	15
Bearish	0.20	30	5

You are required to calculate:

(1) The expected return of security 'P' and security 'Q',
(2) The covariance between the returns of security 'P' and security 'Q'
(3) The standard deviation from the returns on security 'P' and security 'Q'
(4) The coefficient of correlation i.e. r_{PQ} between the returns of security 'P' and security 'Q'
(5) Portfolio return based on ideal allocation of funds.
(6) Portfolio risk based on ideal allocation of funds.

    20

Q.4

(A) The following details are of security B and the market index (Nifty):

Period	Security B (Price)	Nifty i.e. Market index
Beginning of the year	₹ 200	10,000
End of the year	₹ 250	12,000

Assume the risk-free rate is 4% and market return is 12%

You are required to calculate:
(i) The Beta of the security under the rise over run method.
(ii) Expected return of the security.
(iii) If the company has been maintaining a growth rate of 4% in dividends and expected

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to pay dividend ₹15 per share next year, what would be the equilibrium price per share by dividend growth model?

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(B)

If the risk-free return is 5% and the expected return on NSE index 9% (and Market risk measurement by standard deviation is 5%),

(i) How would you construct an efficient portfolio to produce 8% expected return and what would be its risk?

(ii) How would you construct a portfolio giving expected return of 10% and what would be its risk?

10

SECTION: II

(Attempt any TEN MCQs out of given from section II)

Q.5 Select the appropriate alternative: **10**

(1) The beta value of a particular security (i.e. β_S) is 2. If the market portfolio return is 12% and the risk-free return is 5% then the expected return on this security under CAPM will be one of the following:
(a) 10%
(b) 24%
(c) 19%
(d) 9%

(2) One factors model is also known as:
(a) CAPM (Capital Asset Pricing Model)
(b) APT (Arbitrage Pricing Theory)
(c) Markowitz theory
(d) Black-Scholes Model.

(3) If the covariance between the returns on security A and security B i.e. COV$_{AB}$ is – 24 and the standard deviation of returns on A and B are 6 and 10 respectively, then the value of r$_{AB}$ will be one of the following:
(a) -0.4
(b) -1
(c) -4
(d) + 0.8

(4) One of the following does not present the formula for the beta of security i.e. β_s :

(a) $\dfrac{Cov_{SM}}{r_{SM}}$

(b) Δ % change in security price / Δ % change in market index

(c) $\dfrac{Cov_{SM}}{\sigma_M^2}$

(d) $\dfrac{\left(r_{sm} \times \sigma_s\right)}{\sigma_m}$

(5) An efficient portfolio indicates r=_____:

(a) 1
(b) -1
(c) .10
(d) -.10

(6) Sharpe's model considers:
(a) Standard Deviation
(b) Beta
(c) Gama
(d) None of these

(7) Capital market Securities.
(a) Are long term
(b) Pay fixed income
(c) Not Marketable
(d) All of the above

(8) Taken risk in a hope of a favorable outcomes is called_____ .
(a) Savings
(b) Gambling
(c) Speculation
(d) None of these

(9) Which of the following is marketable investment?
(a) Shares
(b) Bank Deposits
(c) Post office deposits
(d) National Saving Certificate

(10) Which of the following is a derivative security?
(a) Futures
(b) Forward
(c) Options
(d) All of the above

(11) Unsystematic risk is also known as_____.
(a) Market risk
(b) Unique risk
(c) Expected Risk
(d) Non- diversifiable risk

(12) The efficient market analysis is also known as one of the following:
(a) Fundamental Analysis
(b) Rise over run theory
(c) Random Walk theory
(d) None of these

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