

2017

M. Com.

4th Semester Examination

SECURITY ANALYSIS and PORTFOLIO MANAGEMENT

PAPER – COM – 403

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

UNIT – I

1. Answer any two questions of the following: 5 X 2

- (a) What are the difference between investment and speculation?.
- (b) Discuss any two modern tools used for technical analysis..
- (c) What is Random walk theory?.
- (d) Explain the Dow Theory?

2. Answer any one questions of the following: 10 X 1

- a. (i) Point out the differences between fundamental and technical analysis.
- (ii) What do you understand by strong-form of market efficiency?

5+5

(b) Monthly return data (in percent) are presented below for ITC stock and BSE National Index for a 12 month period-

(Turn Over)

(2)

Month	ITC	BSE National Index
1	9.43	7.41
2	.00	-5.33
3	-4.31	-7.35
4	-18.92	-14.64
5	-6.67	1.58
6	26.57	15.19
7	20.00	5.11
8	2.93	0.76
9	5.25	-0.97
10	21.45	10.44
11	23.13	17.47
12	32.83	20.15

Calculate the beta of ITC stock and interpret the result.

7+3

UNIT – II

3. Answer any two questions of the following: 5 X 2

- The shares of M Ltd. are at Rs. 34.50. The management believes that the dividend would grow up @10% and at the end of the year dividend would be Rs 4.95. You are required to compute the expected rate of return. If investor require 18% return, should you purchase the stock?
- Discuss the Constant Dividend Growth rate model for the equit valuation.
- Explain the concept of Efficient function in the context of portfolio selection..

(Turn Over)

- Describe the different situation where evaluation of performance of portfolios become necessary.

4. Answer any one questions of the following: 10 X 1

- (i) The variance-covariance matrix for three securities are given below-

Security	P	Q	R
P	108	-56	94
Q	-56	214	137
R	94	137	180

Calculate the portfolio standard deviation if the proportion of investment in each being 20%, 50% and 30% respectively.

- Discuss how can you reduce the risk of a portfolio through diversification.. 5+5

- (i) Mr. Debajyoti wants you to guide him regarding the choice of a mutual fund. He gives the following information regarding four mutual funds

Mutual fund	Beta	Average return (%)	Standard deviation(%)
Strong	1.65	16	14
Merry	1.30	17.5	12.5
Jolly	1.40	16.5	14.2
Nifty	1.00	12.7	12.7

.Assume that the risk free rate of return is 5.2%. You are to require the rank of the funds using Jensen's criteria.

- (ii) What are the advantages of investing in a mutual funds?

6+4

(Internal Assessment :10 marks)