2022

M. Com.
3rd Semester Examination
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
PAPER – COM 301

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: **2 X 2**

a) Distinguish between investment and speculation.
b) Explain the concept of systematic risk.
c) Draw a diagram to show the relationship between number of securities in a portfolio and portfolio risk.
d) What is holding period rate of return?

2. Answer any two questions: **2 X 4**

a) What is the significance of economic forecasting in fundamental analysis?
b) What are sunrise industries? Describe their characteristics.
c) From the following information, compute the correlation coefficient between securities I and J:

Year	Return of I (%)	Return of J (%)
2019	16	11
2020	-10	03
2021	12	07
2022	10	11

d) Explain "market risk" as a component of systematic risk.

3. **Answer any one question:** **1 X 8**

a) (i) A stock costing Rs 250 pays no dividends. The possible prices that the stock might sell for at the end of the year and the probability of each are:

Possible prices (Rs)	200	230	250	280	310
Probability	0.10	0.25	0.35	0.20	0.10

What is expected return and standard deviation of the return?

(ii) What does beta value of a security denote? (2+4)+2

b) Discuss company analysis as a part of fundamental analysis.

UNIT – II

4. **Answer any two questions:** **2 X 2**

a) Define open ended and close ended fund.

b) Write a short note on Capital market Line (CML).

c) Write the meaning of diversification.

d) Professional management is a key advantage of investing in mutual fund. Explain the statement.

5. **Answer any two questions:** **2 X 4**

a) Write a short note on the Security Market Line (SML).

b) Define CAPM model.

c) Explain efficient market hypothesis (EMH).

d) Define Arbitrage Pricing Theory (APT).

6. **Answer any one question:** **1 X 8**

a) (i) From the following information from return of security X (R_x) and market portfolio (R_m), Calculate beta of security X from the following information:

Period	Return of Security X	Market Portfolio return
1	20	22
2	22	20
3	25	18
4	21	16
5	18	20
6	-5	8
7	17	-6
8	19	5
9	-7	6
10	20	11

(ii) Explain Sharpe ratio as a measure for evaluating mutual fund performance. 5+3

b) (i) What is a sectoral fund?

(ii) You are given following data relating to a portfolio having two securities M and N, the details of which are given below:

Particulars	Securities M	Securities N
Return (%)	12	15
S.D. (%)	8	12
Covariance $_{MN}$	24	
Present investment ratio	1:2	

The followings are to be determined:

- Portfolio return
- Portfolio risk
- The investment ratio required to minimize the portfolio risk

3+ (1+2+2)

(Internal Assessment: 10 marks)