

C 82521

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Name

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2015

CUCSS)

Commerce

MC4E (FM) 02—SECURITY ANALYSIS AND PORT FOLIO MANAGEMENT

Time : Three Hours

Maximum : 36 **Weightage**

Part A

*Answer **all** questions.*

*Each question carries a **weightage** of 1.*

1. What are the elements that needs to be considered for investment ?
2. What is real return ?
3. Enumerate the techniques of technical analysis.
4. What is **YTM** ?
5. What is **SML** ?
6. What do you mean by Dollar/Rupee weighted returns ?

(6 x 1 = 6 **weightage**)

Part B

*Answer any **six** questions.*

*Each question carries a **weightage** of 3.*

7. Describe bond immunization with en example.
8. Elucidate the different approach to common stock valuation.
9. Describe Random Walk theory with an example.
10. Bring out the individual constraints of personal investing.
11. How do you undertake industry analysis as a part of fundamental analysis ?
12. Explain **CAPM** and its advantages and disadvantages.
13. Explain the scope and importance of capital gains taxation.
14. ABC Ltd's earnings and dividends have been growing at the rate of 18 % per annum. This growth rate is expected to continue for 5 years. After that the growth rate will fall to 12 % per annum for the next 5 years. Thereafter the growth rate is expected to be 6 % per annum forever. If the last dividend per share was Rs. 100 and the investor's required rate of return on ABC's equity is 15 % what is the intrinsic value for share ?

(6 x 3 = 18 **weightage**)

Turn over

Part C

*Answer any two questions.
Each question carries a weightage of 6.*

15. What are the objectives of Portfolio management ? Distinguish between Active Portfolio revision and Passive Portfolio revision.
16. A company with equity of Rs. 10 crore earns PBIDT of Rs. 40 crore. It incurs interest of Rs. 5 crore, depreciation of Rs. 5 crore and pays tax of Rs. 10 crore. It has reserves of Rs. 30 crore (excluding current year's profits) and long term debt of Rs. 50 crore. It pays 100 % dividend and transfers remaining profit to reserves. Its share of Rs. 10 face value is quoted at price of Rs. 200. Find the PE ratio.
17. You are required to evaluate an investment in 2 securities whose past 10 years of returns are shown below :

		Years									
		1	2	3	4	5	6	7	8	9	10
Company A	:	30	24	-7	6	18	32	-5	21	18	8
Company B	:	26	29	-12	1	15	30	0	18	27	10

- (a) Calculate the standard deviation of each company's return.
- (b) Calculate the correlation coefficient between company's returns.
- (c) Assume that you had placed 40 % of investment money in each of the 2 company's shares. What would have been the standard deviation of your return and average yearly return ?

(2 x 6 = 12 weightage)