Program: T.Y.B.A.F. **Semester:** VI **Program Code:** 2C00456

Course: SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT **Course Code:** 85605

Duration: 2 ½ Hours **Examination Pattern:** REV16-Autonomous External **Max. Marks:** 75

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Examination:

REGULAR

Q. 1 A) Fill in the blanks with an appropriate answer from the alternatives given.(Any 08) [08]

i) Financial markets can be classified into money markets and _____ markets.

a) Capital b) Secondary

c) Primary d) Securities

ii) Return on investment is determined by _____.

a) Net Profit b) Net worth

c) Capital employed d) Net profit and capital employed

iii) As per single index model beta is the slope of _____.

a) The CAPM b) Characteristic line

c) The capital market line d) The security market line

iv) The fundamental analysis is a method of finding out _____.

a) Future price of security b) Past value of shares

c) Tips d) Ratio

v) _____ assists in the selection of the most efficient by analyzing various possible portfolios of the given securities.

a) Markowitz model b) Inter correlation Model

c) CIA Model d) CAPM

vi) As per capital asset pricing model, beta is a measure of _____ risk.

a) Unsystematic b) Total

c) Comparative d) Systematic

vii) _____ index is a rate of return generated by the fund over and above risk-free rate of return, during a given period and systematically associated with it.

a) CAPM b) Treynor's

c) Sharpe's d) Jensen

viii) The objective of portfolio is to reduce _____ by diversification.

a) Percentage b) Uncertainty

c) Risk d) Return

ix) _____ measures the dispersion of data from its expected value.

a) Beta b) Alpha

c) CAPM d) Standard deviation

x) In _____ stage, poor performers start winding up their businesses.

a) Slow growth b) Rapid growth

c) No growth d) Decline

B) State whether the following statements are true or false. (Any 07) **[07]**

i) Portfolio means a combination of financial assets and physical assets.

ii) Jensen's measure is based on CAPM

iii) Fundamental analysts believe that price move in short, medium and long-term trend.

iv) Price level and inflation affect the economy of the country.

v) Buying and selling of securities does not involve transaction costs such as commission and brokerage.

vi) The single index model is the complex and the most rarely used simplification.

vii) Portfolio risk cannot be reduced by diversification.

viii) Investing in equity share is a tax saving investment.

ix) Security returns are determined by the Security Market Line (SML).

x) Efficient Market hypothesis assumes that there are smaller number of buyers and sellers

Q. 2 Answer the following.

a) The following data relates to RST Ltd.: **[08]**

Sales = 7,50,000

Variable Cost = 4,50,000

Fixed Cost = 1,20,000

Interest = 60,000

Tax Rate = 30%

Required :

a) Degree of Operating Leverage

b) Degree of Financial Leverage

c) Degree of Combined Leverage

d) Comment on risk

b) The following information relates to returns of A Ltd.: [07]

State of Economy	Probability	Return (%)
Boom	0.30	22
Normal	0.40	15
Recession	0.30	8

Required :

a) Calculate Expected Return

b) Calculate Standard Deviation

OR

c) Explain various objectives of Portfolio Management [08]

d) Explain Capital Market Line [07]

Q. 3 Answer the following.

a) The returns of Security Z and Market are: [08]

Year	Z (%)	Market (%)
1	20	15
2	14	12
3	25	22
4	18	16

Required :

a) Calculate Covariance between Z and Market

b) Calculate Beta of Security Z

b) The following information is available: [07]

Risk Free Rate = 5%

Market Return = 13%

Beta of DEF Ltd. = 0.8

Required :

a) Required Rate of Return using CAPM

b) Comment whether stock is aggressive or defensive

OR

c) **Portfolio S has the following data:** [08]

Particulars	Value
Rp	19%
Rf	6%
Rm	15%
βp	1.3
σp	24%

Required:

a) Compute Sharpe Ratio
b) Compute Treynor Ratio
c) Compute Jensen's Alpha
d) Comment on performance

d) Beta of a company's share is 0.8. Risk free rate is 6% and market return is 13%. **[07]**

Required:

1. Calculate expected return using CAPM.
2. If actual return is 10%, determine valuation status.
3. Give proper reasoning.

Q. 4 **Answer the following.**

a) Security A: **[08]**
Expected Return = 16%
Standard Deviation = 24%
Security B:
Expected Return = 21%
Standard Deviation = 30%
Correlation Coefficient = 0.5
Investment proportion = 50% each

Required :

a) Portfolio Expected Return
b) Portfolio Risk

b) The following data relates to two mutual funds: **[07]**

Fund	Return (%)	Std Dev (%)	Beta
Fund E	17	23	1.25
Fund F	13	17	0.75

Risk Free Rate = 8%

Required :

a) Calculate Sharpe Ratio
b) Calculate Treynor Ratio
c) Rank the funds

OR

c) Explain importance of Ratio Analysis **[08]**

d) What are the phases of Portfolio Management **[07]**

Q. 5 A) Answer the following.

i) The following information is available for Gamma Ltd.: **[08]**

Equity Share Capital (₹10 each) = ₹4,00,000

Preference Share Capital (11%) = ₹2,00,000

Profit Before Tax = ₹2,50,000

Tax Rate = 30%

Proposed Dividend to Equity = ₹80,000

Market Price per Share = ₹35

Required:

a) EPS

b) Dividend Payout Ratio

c) P/E Ratio

d) Return on Equity

ii) An investor invests 50% in E Ltd. and 50% in F Ltd. **[07]**
Expected return of E Ltd. = 15%
Expected return of F Ltd. = 20%

Required to calculate Portfolio Expected Return.

OR

B) Short Note: (Any 3) (5 marks each) **[15]**

i) Fundamental Analysis

ii) Japanese Candle Stick chart

iii) Forms of Market Efficiency

iv) Financial leverage

v) Beta and its importance

- - X - - X - -