Total number of printed pages–7

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COMMERCE

Paper : COM–2056

(Security Analysis and Portfolio Management)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

*Answer **all** questions as directed.*

1. Select the most appropriate answer from the multiple choices given against each : $1\times5=5$

   (i) The objective of portfolio investment is to reduce ______ by diversification.

   (A) return

   (B) risk

   (C) uncertainty

   (D) None of the above

Contd.

(ii) What should be the investment decision when Expected Return of a Security under CAPM is less than the Market Return ?

(A) Buy

(B) Sell

(C) Hold

(D) Any of the above

(iii) The fundamental analyst compares the intrinsic value of a security with the

(A) Historical market price

(B) Expected intrinsic value

(C) Past intrinsic value

(D) Current market price

(iv) When the candlestick is black, it denotes that

(A) Opening price is higher than the closing price

(B) Closing price is higher than the opening price

(C) Closing price and opening price are same

(D) Closing price is the highest price

(v) Read the statements I, II and III carefully and select the correct answer/ option from the choices given below the statements :

I. Systematic Risk can be diversified.

II. Unsystematic Risk can be diversified.

III. Systematic Risk includes market risk.

(A) Only I is True

(B) I and III are True

(C) Only II is True

(D) II and III are True

2. Answer the following in about **30–50** words each : 2×5=10

(a) Define market risk.

(b) State the functions of stock market?

(c) Write the assumptions of technical analysis.

(d) What is the Treynor's formula for portfolio performance evaluation ?

(e) What are the various types of financial derivatives ?

3. Answer ***any five*** of the following in about 200 words each : $5 \times 5 = 25$

(a) Distinguish between systematic and non-systematic risks.

(b) What are the sources of information for an economic analysis?

(c) Discuss the Elliot's Wave Theory in brief.

(d) Sandip is considering for investment in shares of Delta Company. The current market price is Rs. 64 per share whose face value is Rs. 10. The company is expected to pay a dividend of 60 percent for the next year. The earnings and dividend of the company is expected to grow at 10 percent indefinitely. If Sandip expects a return of 12 percent, should he buy at the current market price ? Give reasons to support your recommendation and show the workings.

(e) What are the evidences that support the Efficient Market Hypothesis theory ?

(f) Write a note on Capital Market Line.

(g) How are derivatives used in the management of portfolios ?

(h) Explain the head and shoulder pattern in technical analysis with suitable illustrations.

4. (a) How is the modern portfolio analysis different from the traditional portfolio analysis ? Discuss. 10

OR

(b) The stock price of a stock at the beginning of the 12 months is given below along with the market index for the corresponding period :

Month	Market Index (INR)	Stock Price (INR)
January	15,000	540
February	16,400	620
March	17,200	700
April	16,900	690
May	18,000	740
June	20,000	860
July	21,000	920
August	22,800	960
September	24,600	1080
October	27,000	1200
November	25,000	1100
December	23,000	1000

Calculate the 'beta' and 'alpha' for the said stock. 7+3=10

5. *(a)* What considerations are to be made at the time of construction of stock indices ? Explain the methods of constructing stock indices. 5+5=10

OR

(b) What is fundamental analysis ? What are its assumptions ? Explain its scope and purpose. 3+2+5=10

6. *(a)* Explain the concept of efficient frontier in the context of portfolio selection. 10

OR

(b) With the help of the following details find out the securities that are overpriced and underpriced in terms of the security market line :

Security	Expected Return	β	σ
A	0·33	1·70	0·50
B	0·13	1·40	0·35
C	0·26	1·10	0·40
D	0·12	0·95	0·24
E	0·21	1·05	0·28
F	0·14	0·70	0·18
Nifty Index	0·13	1·00	0·20
Repo Rate	0·09	0	0

7. *(a)* "Formula plans help the investors to overcome being emotionally attached to the stock." Critically examine this statement. 10

OR

(b) Discuss the volatile trading strategies that help an investor to protect his position in the market.