 LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.Com.** DEGREE EXAMINATION - **COMMERCE**

THIRD SEMESTER – NOVEMBER 2012

# CO 3802 - SECURITY ANALYSIS & PORTFOLIO MANAGEMENT

Date : 01/11/2012 Dept. No. Max. : 100 Marks

Time : 9:00 - 12:00

**SECTION – A Answer ALL questions ( 10 x 2 = 20 )**

1. What do you mean by Investment Attributes?
2. Why public prefer physical investment for financial investment?
3. What is Arbitrage Pricing Theory Model?
4. Distinguish Technical Analysis from Fundamental Analysis.
5. What is stock split?
6. Give the meaning of the following:
7. Price Earning Ratio
8. External Commercial Borrowing
9. Return on Investment
10. Dividend Pay out Ratio
11. What is diversification of portfolio?
12. What is risk penalty?
13. Given Rf as 8%, Rm as 15%. The standard deviation of the market portfolio is 2%. The investor has constructed a portfolio which has a standard deviation of 1.5% and a correlation with the market return of .85. Calculate the expected return of the investor?
14. Find the portfolio variance of a portfolio consisting of equities, bonds and real estates, if the portfolio weights are 30%, 45% and 35%. The standard deviations are 0.1986, 0.615 and 0.945 respectively. The correlations are 0.40 per equity and bonds, 0.30 for equities and real estates and 0.25 for bonds and real estate.

**SECTION – B Answer any five questions ( 5 x 8 = 40 )**

1. Give a brief account of the various characteristic feature of an investor.
2. What do you understand by internal business risk? Explain.
3. Enumerate the assumptions of Capital Asset Pricing Model.
4. How the company’s present situation and prospects are appraised?
5. Explain the significance of beta in portfolio selection.
6. In what way strong form of efficient market theory is unique from other forms?
7. Following is the data regarding six securities –

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Securities** | **A** | **B** | **C** | **D** | **E** | **F** |
| Return (%) | 8 | 8 | 12 | 4 | 9 | 8 |
| Risk (%) (SD) | 4 | 5 | 12 | 4 | 5 | 6 |

Which of the securities will be selected? Assuming the perfect correlation, whether it is preferable to invest 75% in sec.A and 25% in sec.C

1. M Fund invests in three different funds – Fund A, Fund B and Fund C –

|  |  |  |  |
| --- | --- | --- | --- |
| Fund | Value invested | Return | Standard Deviation |
| A | Rs.2.5 crores | 15.50% | 3.20% |
| B | Rs.6.0 crores | 19.20% | 4.50% |
| C | Rs.1.5 crores | 12.80% | 1.50% |

Correlation between the funds are: AB – 0.30, AC – 0.50 and BC – 0.20

If the risk free return is 5% and the return on Nifty is 17% with a standard deviation of market ( is 3% and the standard deviation of the portfolio ( is 3.11%, ascertain the Sharpe’s index for the fund and evaluate its performance.

**SECTION – C Answer any TWO questions (2 x 20 = 40 )**

1. What are the various investment alternatives? Explain in brief.
2. Explain various charting techniques used in identifying the daily fluctuations of secondary price movement.
3. Write short notes
4. Speculation
5. Time value of money
6. Product life cycle in industry analysis
7. Filtering Test under Weak form

\*\*\*\*\*\*\*\*