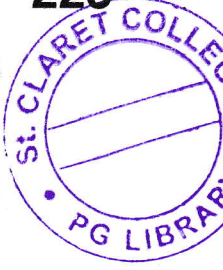**IV Semester M.Com. Examination, November 2022**
(CBCS Scheme)
(2021 – 22)
COMMERCE (Finance and Banking)
FB 4.4 : Security Analysis and Portfolio Management

Time : 3 Hours
Max. Marks : 70

Instruction : Answer all the questions as per instructions.

SECTION – A

1. Answer **any seven** questions out of ten. **Each** question carries **two** marks. **(7×2=14)**

   a) State any two differences between the investor and the speculator in the stock market.

   b) What is market risk ?

   c) What are leading indicators ? Give an example.

   d) What is optimal portfolio ?

   e) What is Jensen index of portfolio performance ?

   f) What is active management of funds ?

   g) What do you mean by portfolio risk ?

   h) What are the statistical tools used to measure the risk of the security return ?

   i) What is ADR and GDR ?

   j) What are Green Bonds ?

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks.   **(4×5=20)**

2. What are the distinguishing features of American Depository Receipts ?

3. Discuss briefly any four economic variables and its impact on stock prices.

4. What are the various forms of market efficiency ? Discuss their implications.

5. How does systematic risk impact the stock prices ? Discuss in detail the various types of risk under systematic risk.

6. Reliance Energy and Reliance Technology belong to the same promoter group and are managed by professionals with high levels of corporate governance standards. However, being in different fields of business their returns are extremely dependent upon the economic conditions of the economy. According to an analyst the chances of each economic condition and the forecast of returns are given below.

State of the Economy	Probability of occurrence (%)	Reliance Energy Rate of return (%)	Reliance Technology Rate of return (%)
Recession	0.25	6	–8
Normal	0.50	18	25
Boom	0.25	22	30

Which of the two firms is likely to give a better average return ? Which firm is more riskier ?

7. The market price of the equity shares of Xavier Ltd. is selling at Rs. 160 currently. The dividend expected after a year is Rs. 12 per share. The dividend is expected to grow at a constant rate of 4% p.a. Find the rate of return required by the shareholders.

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks. **(2×12=24)**

8. Stocks A and B have yielded the following returns.

Probability of occurrence	Returns of A (%)	Returns of B (%)
0.5	8%	5%
0.3	4%	8%
0.2	2%	4%

a) What is the expected return on portfolio made up of 60% of A and 40 % of B ?

b) Find out the standard deviation of each stock.

c) What is the covariance and co-efficient of correlation between stock A and B ?

d) What is the portfolio risk of a portfolio made up of 60% of A and 40% of B ?

9. Indian Software Ltd., in the business of software development has been growing at 10% for last several years. Last year it paid dividend of Rs. 3 per share. The investor in the software business requires a return of 25%. Due to recent pandemic, the expected growth is estimated at 20% for three years before getting back to normal 10%.

   - What should be the current price of the share ?

   - Assuming that the firm would grow at 20% for next three years before reverting to normal growth of 10%, what change in price would be caused ?

10. Distinguish between CAPM theory and Arbitrage Pricing Theory.

11. Critically evaluate the three formula plans and suggest modification, if any, to make them useful for investors in Indian Stock Market.

SECTION – D

12. Answer the following question. (1×12=12)

The following information has been provided regarding the performance of select mutual funds.

Fund	Mean Return	Beta	Standard Deviation
Equity fund	23%	0.8	18
ICICI Prudential Growth Fund	17%	1.05	15
Birla Sunlife Mutual Fund	21%	1.25	20
DSP Black Rock Fund	19%	0.90	17
Franklin Infotech Fund	17%	1.75	10
Kotak Mutual Fund	23%	1.3	19

Risk free rate = 7%

Return on Market Portfolio = 15

Risk free rate of interest is 7 percent and the mean return of the market is 15% and its standard deviation is 10.

i) Evaluate the performance of above funds using Sharpe, Treynor and Jenson's performance evaluation techniques.

ii) Rank the portfolio using Sharpe's, Treynor's and Jensen's methods; interpret the results.

iii) Explain Jenson Index of Portfolio performance.