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Register Number:

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**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.Com– VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2019**

BCDEF 6616: Securities Analysis and Portfolio Management

Time- 2 ½ hrs Max Marks-70

**This paper contains three printed pages and four parts**

**Section A**

I Answer **any five** of the following  **(5 X 2 = 10marks)**

1. Is investment the same as gambling?
2. What are masala bonds?
3. Mention any four assumptions of CAPM.
4. What is meant by the *alpha* of an investment?
5. State any two benefits that arise from global investment.
6. Give the meaning of fundamental analysis.
7. What are global mutual funds?

**Section B**

II Answer **any three** of the following **(3 x 5 = 15 marks)**

1. Given below are three chart patterns. What chart pattern is depicted below and what do they indicate?



1. Rank the following portfolios according to Sharpe’s Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Portfolio | Return (%) | σ (%) | Beta |
| A | 15 | 27 | 0.82 |
| B | 11 | 18 | 0.53 |
| C | 9 | 14 | 0.40 |
| D | 18 | 19 | 0.73 |
| Market | 6 | 11 |  |
| 91 Day T-Bills | 5 |  |  |

1. From the information given below, make buy, sell or hold decisions using CAPM.

|  |  |  |
| --- | --- | --- |
| Stock | Expected Return (%) | Beta |
| ABCDNIFTY | 4622353426 | 1.70.61.21.61 |

Risk free rate of return is 16%.

1. Enumerate the classifications of industries according to the business cycle.
2. Explain the various assumptions of the Capital Market Theory.

**Section C**

III Answer **any three** of the following **(3 x 10 = 30 marks)**

1. Explain the various tools that can be used for economic analysis.
2. Bruce is a potential client for your firm. Give your client a detailed explanation of the portfolio management process.
3. Write a note Modern Portfolio Theory.
4. An investor is considering investing in either the stocks of YOko Ltd or of ONO Ltd. Both the stocks are currently selling for INR 1500/share. The rupee return (dividend plus price) of these stocks for the next year would be as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| State of the economy | Probability | Return of YOko Ltd | Return of ONO Ltd |
| 1 | 0.2 | 750 | 540 |
| 2 | 0.4 | 450 | 825 |
| 3 | 0.1 | 300 | 450 |
| 4 | 0.3 | 375 | 600 |

Which stock would be a better investment option? Substantiate with respect to the risk and return of each stock.

1. The returns on Ox Co. and the market portfolio are given below:

|  |  |  |
| --- | --- | --- |
| Year | Ox Co (%) | Market Portfolio (%) |
| 1 | 10 | 12 |
| 2 | 6 | 5 |
| 3 | 13 | 18 |
| 4 | -4 | -8 |
| 5 | 13 | 10 |
| 6 | 14 | 16 |
| 7 | 4 | 7 |

Compute the β and α of Ox Co.

**Section D**

IV **Compulsory Question (1 X 15 = 15 marks)**

1. A financial analyst is analysing two investment alternatives, stock A and stock B. The estimated rates of return are given below:

|  |  |
| --- | --- |
| **Year** | **Rates of return (%)** |
| *Stock A* | *Stock B* |
| 1 | 22 | 5 |
| 2 | 14 | 15 |
| 3 | 10 | 20 |
| 4 | 8 | 25 |
| 5 | -4 | 30 |

* 1. Determine the rates of return, variance and standard deviation of stocks A and B.
	2. Is stock A comparatively riskier than stock B?
	3. If the analyst wants to invest half in A and half in B, would it reduce the risk? Explain.

(8 + 2 + 5)

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