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DATE: 29-6-19

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

**B.Com– VI SEMESTER**

**Special Supplementary Examination, JUNE 2019**

BCDEF 6616: Securities Analysis and Portfolio Management

Time- 2 ½ hrs Max Marks-70

Supplementary candidates only.

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

**Section A**

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

1. What are large cap stocks? Give an example of the same.
2. Explain active investment strategy.
3. What is APT?
4. Expand the abbreviation UPI. Give an example of a UPI app.
5. Explain any two of Porter’s five forces.
6. With the help of a diagram depict support and resistance levels.
7. What are FCCBs?

**Section B**

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

1. Consider the following information pertaining to the stock returns of Ignite Ltd.

|  |  |
| --- | --- |
| Probability | Return (%) |
| 25% | 12 |
| 20% | 10 |
| 10% | 13 |
| 15% | 11 |
| 10% | 10 |
| 5% | -12 |
| 15% | -5 |

Compute the standard deviation and expected return of the stock.

1. Rank the following portfolios using Treynor’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. Explain the types of systematic risk.
2. Write a short note on Sharpe’s Single Index Model.
3. “*There is little doubt that Dow theory is of major importance in the history of technical analysis. Many of its tenets and ideas are the basis of much of what we know today*.” In the light of the above statement, enumerate the three trends of Dow theory.

**Section C**

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

1. Discuss the methods of analysing a company’s financials.
2. Explain the Markowitz Model.
3. Roopa is a high net worth individual who is looking at diversifying her investments beyond equity and fixed deposits. Explain to her the other various avenues of investment she could consider.
4. The returns on security ACC and the market portfolio for a 10 year period are given below:

|  |  |  |
| --- | --- | --- |
| Year | ACC (%) | Market Portfolio(%) |
|  |  |
| 1 | 20 | 24 |
| 2 | 12 | 10 |
| 3 | 26 | 36 |
| 4 | -8 | -16 |
| 5 | 26 | 20 |
| 6 | 28 | 32 |
| 7 | 8 | 14 |
| 8 | 36 | 30 |
| 9 | 48 | 60 |
| 10 | 44 | 50 |

Compute the beta coefficient of security ACC

1. Based on the given details, identify under-priced and overpriced securities in terms of SML

|  |  |  |  |
| --- | --- | --- | --- |
| Security | Expected Return(%) | β | σ |
| A | 33 | 1.7 | 50 |
| B | 13 | 1.4 | 35 |
| C | 26 | 1.1 | 40 |
| D | 12 | 0.95 | 24 |
| E | 21 | 1.05 | 28 |
| Nifty Index | 13 | 1.00 | 20 |
| T-Bills | 9 |  |  |

**Section D**

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

1. A financial analyst is analysing two investment alternatives, stock P and stock Q. The estimated rates of return and their chances of occurrence are given below:

|  |  |  |
| --- | --- | --- |
| **Probability** | **Rates of return (%)** | |
| *Stock P* | *Stock Q* |
| 0.20 | 66 | 15 |
| 0.60 | 24 | 45 |
| 0.20 | -12 | 75 |

* 1. Determine the expected rates of return, variance and standard deviation of stocks P and Q.
  2. If the analyst wants to invest half in P and half in Q, would it reduce the risk? Compute the return of this portfolio.

**(10+5)**

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