 PG/IIS/COM/301.1 & 301.2/24

M.Com. 3rd Semester Examination, 2024

COMMERCE

PAPER – COM-301

(*Security Analysis and Portfolio Management*)

Full Marks : 50

Time : 2 hours

Answer **all** questions

The figures in the right hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

PAPER – COM 301.1

[Marks : 20]

1. Answer any *two* of the following questions : 5×2

   (*a*) Write a note on "yield-to-maturity".

(*b*) Explain 'purchasing power risk' and 'interest rate risk'.

(*c*) Write the basic assumptions of the celebrated Dow theory.

2. Answer any *one* of the following question : 10×1

(*a*) (*i*) Mr. I, an investor, purchases shares of X Company Ltd. @ ₹ 50 per share on 01.03.2017. The company has offered a rights issue at par on 01.09.2017 in the ratio of 1 : 4. The cum-right price of the shares in the market at that time is ₹ 60. The record date for such right shares is fixed on 01.12.2017. The company declared and paid a dividend of 6% for the year ended on 31.03.2018. For the next half year ended on 30.09.2018 and year ended on 31.03.2019 the company paid cash

dividend of 2% and 4% respectively. At the time of payment of final dividend for the year ended on 31.03.2020 the company faced shortage of liquidity and decided to go for a bonus issue. The bonus share ratio is 1 : 5 for which the book closure date is declared just 60 days after the year ending date. The company declared an interim dividend of 3% for the half year ended on 30.09.2020. Mr. I decided to sell the shares on 30.11.2020 @ ₹ 59 per share. Face value of share is ₹ 10. Book closure dates for interim and final dividend falls due after 60 days and 100 days from the due dates of the respective dividends. Calculate holding period rate of return and annualized rate of return on investment to Mr. I.

(*ii*) Why do we calculate annualized return from the holding period rate of return? 8 + 2

(*b*) (*i*) What are the different components of fundamental analysis? Discuss in brief.

(*ii*) With the help of a 7-day share price data of your own, draw a line chart.

(*ii*) Distinguish between support level and resistance level. 4 + 3 + 3

PAPER — COM 301.2

[Marks : 20]

3. Answer any *two* of the following : 5 × 2

(*a*) Discuss the Random Walk Theory.

(*b*) Explain the CAPM equation. The equity share of Q Ltd. has beta of 2.30. If the return on 91-day T-Bills is 4.25% and that of a portfolio (having beta of 1.0) is 16.85%, compute the expected return on the security. $2\frac{1}{2}+2\frac{1}{2}$

(*c*) Mutual funds offer the benefits of diversification and several choices for investors. Elaborate the statement.

4. Answer any *one* of the following question : 10×1

(*a*) (*i*) Mr. Pradip holds a portfolio valuing Rs. 3,00,000 which is a mix of aggressive and conservative portfolio in the ratio of 2 : 3. The investor has set a limit of +/-8% under the constant rupee plan. The following table gives the price of share on different days :

Day	1	2	3	4	5	6
Price (Rs.)	200	192	181	210	222	215

You are required to show the portfolio revision process in the above case.

(*ii*) Explain the terms Debt fund and Sectoral fund. 6 + 4

(*b*) (*i*) Mrs. Simran holds a portfolio having two securities A and Z. The ratio of their investment is 1 : 2. The return on the securities is 18% and 12% and their standard deviations are 9% and 15% respectively. You are required to compute the portfolio return and portfolio risk assuming the correlation coefficient between A and Z to be (-) 0.60. What is the desirable ratio of investment in the two securities in order to minimise the portfolio risk ? 1 + 2 + 2

(*ii*) Explain the efficient frontier with the help of a diagram. 5

[Internal Assessment – 10 Marks]
