Q.P. Code :04446

[Time: $2\frac{1}{2}$ Hours]   [Marks:75]

Please check whether you have got the right question paper.

N.B: 1. **All** questions are **compulsory**
        2. Working notes shall form part of your answers
        3. **Use** of **simple calculator** is **permitted**.

1.   Attempt any two of the following (7.5 Marks each)   15
    A) Compare the portfolio on performance using the Sharpe's, Treynor's and Jensen's Measures and comment. Assume Risk Free Rate of Return is 8%.

Portfolio	Average Return	Standard Deviation	Beta
1	15%	0.25	1.25
2	12%	0.30	0.75
3	10%	0.20	1.10
Marked Index	12%	0.25	1.00

    B) "Buy on rumors', sell on the news" – Explain this statement bringing out the difference between Investment, Speculation and Gambling.

    C) Briefly explain the components of financial markets.

2.   Attempt any two of the following (7.5 Marks each)   15
    A) Mr. Kartik Sheth has an offer to start a new business with initial capital investment of Rs. 700,000.

Year	1	2	3	4	5	6
PAT(Rs)	100,000	110,000	105,000	78,000	95,000	98,000

    Depreciation is 15% on Straight Line Basis.
    Evaluate the project on the basis of Net Present Value taking 12% discounting factor and advise whether Kartik Sheth should invest in the project or not.

    B) Find out the annual installment payable by Mrs. Magh Bhai if she has taken a loan of Rs. 5,00,000 from XYZ Bank Ltd. at an annual interest rate of 11% repayable in 10 years.

    C) Find out the value of Rs. 10500 invested for 3 years @ 13% p.a. with 6 monthly compounding.

3.   Attempt any two of the following (7.5 Marks each)   15
    A) The rate of return on stock X and Y under different states of the economy are given below:

	Boom	Normal	Recession
Probability of Occurrence	0.35	0.5	0.15
Rate of return on stock X (%)	20	30	40
Rate of Return on stock Y (%)	40	30	20

    1) Calculate the expected return and standard deviation of return on both the stock.
    2) If you could invest in either stocks X or stock Y, but not in both, which stock would you prefer?

TURN OVER

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B) In January, 2015 Mr. Abhishek purchased the five company shares:

Company	No. Of Shares	Purchased Price(Rs)
A LTD	100	290
B LTD	100	190
C LTD	100	100
D LTD	100	390
E LTD	100	290

He paid brokerage of Rs. 8,500.

During the year 2015, Mr. Abhishek received the following:

Company	Dividend(Rs)	Bonus
A LTD	600	1:2
B LTD	600	
C LTD	500	
D LTD	700	
E LTD	700	

In January 2016, Mr. Abhishek sold all his holding at the following price:

Company	Market Price(Rs.)
A LTD	405
B LTD	290
C LTD	140
D LTD	460
E LTD	500

He paid brokerage of Rs. 9,700.

Calculate the holding period return.

C) What is Ratio Analysis? Explain different types of financial Ratio?

4. Attempt any two of the following (7.5 Marks each)   **15**

A) 5000 Rs bonds with a 12% coupon rate mature in 8 years and currently sold @ 96%. Is this bonds a desirable investment whose required rate of return is 10%?

B) State the different types of debentures and explain any 2 of them?

C) 'P' Ltd, 'Q' Ltd. and three different companies, each of them paid dividend of Rs. 8 per share. Find out the intrinsic value of the share of all the three companies if growth rate is same for all of them at 7% and the required rate of return is 14%, 16% and 18% for 'P' Ltd., 'Q' Ltd and 'R' Ltd. respectively.

Q5) You are a PMS (Portfolio Management Services) consultant. Mr. Ajay, an entrepreneur (middle aged) wants   **15** advice on deploying his surplus funds of Rs. 20 lakhs in various financial instruments. Present to him any five investment schemes mentioning various merits and demerits of each scheme. Assuming he is willing to take risk to the extent of 30% of his funds.