

T. G. B. C. B. I

NOV-15

Security Analysis & P.M.

SAPM-0ct-15

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QP Code : 24315

(2½ Hours)

[Total Marks : 75

- N.B. : (1) All question are **compulsory**. Each question has option.
(2) **Figures** to the right indicate **Full Marks**.

1. a) Multiple Choice Question .

i) In which of the following markets, are the outstanding long-term financial instruments traded?

- a) Money Market b) Forex Market
c) Call Money Market d) Secondary Market

ii) The primary purpose of investment is to.

- a) gain b) loose
c) Win d) appreciation

iii) A no growth company will have

- a) A 100% retention ratio b) A 100% payout ratio
c) High P/E Ratio as compared to a growth company
d) High stock price as compared to a growth company.

iv) A neutral network is a trading system in which

- a) forecasting model is not there
b) historical system is there
c) forecasting model is trained to find out desired output
d) Neutral points are considered

v) The object of portfolio is to reduce _____ by diversification.

- a) Uncertainties b) Certainties
c) Ratios d) Balance Sheet

vi) When the required rate of return is equal to the coupon rate, value of redeemable bond is equal to its.

- a) Market Value b) Face Value
c) Present Value of the stream of interest flows
d) None of the above

vii) Return on investment is determined by

- a) Net Profit b) Capital Employed
c) Net Worth d) Net profit capital Employed

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viii) Markowitz Theory assumed

- a) Investors have all information
- b) Investors decide on basis of utility maximisation
- c) Risk of portfolio can be reduced by adding investments in the portfolio
- d) All of the above.

b) State true or false:

- i) Technical analysis believes that stock market movement is 10 percent psychological and 90 percent logical.
- ii) Joint stock companies do stock financing by issuing shares.
- iii) In Money Market Mutual Funds minimum investment size is Rs. 5 lakhs.
- iv) Net worth means equity capital and reserve and surplus or current assets and fixed assets.
- v) The market breadth index is the result of the advance-decline ratio.
- vi) In efficient market hypothesis, the weak form of market is concerned with the possession of inside information.
- vii) The accurate doubling period n given a rate of return "r" can be calculate by $72 / r$.

- 2. a) State various Tax Saving Investments. 8
- b) Distinguish between Investment and Speculation. 7

- 2. a) State the advantages and disadvantages of investing in equity shares. 8
- b) What are debt securities? Explain the corporate debt market in India. 7

- 3. a) Pankti Finance Ltd. has offered a scheme of investment where a person investing ₹ 1,00,000 presently is entitled to returns of ₹ 18,000, ₹ 25,000, ₹ 30,000, ₹ 32,000 and ₹ 35,000 in next five years. The indicated rate of return is 10% p.a. Advise whether the investment is profitable. 8

- b) Nilakshi is considering investment in one of the following Bonds. 7

Bond	Coupon Rate	Maturity	Price (FV ₹ 100)
Bajrangi	12%	10 years	₹ 70
Phantom	10%	8 years	₹ 60

Recommend which bond should be purchased.

OR

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3. a) A stock costing ₹ 60 pays no dividends. The possible prices that the stock may attain under various economic conditions are given below with the respective probabilities- 8

Economic conditions	Possible price	Probability
1	55	0.2
2	60	0.2
3	65	0.1
4	70	0.1
5	75	0.2
6	80	

(i) Calculate the expected return

(ii) Calculate the standard deviation of the returns.

- b) Shweta Ltd. paid a dividend of Rs.10 per share. Earnings and dividends are expected to grow at rate of 20 percent. The required rate of return and the Current market price are 30 percent and ₹ 200 respectively. Is the share fairly priced? 7

4. a) What is charting technique? What are the different types of charting techniques? 8

- b) What are financial ratios? What are their limitations? 7

4. a) Atul Limited paid the following dividend per share and had following market price per share during the period 2009-14. 8

Year	Dividend Per Share	Market price
2009	6.12	60
2010	6.12	40
2011	6.12	60
2012	8.00	140
2013	8.00	200
2014	12.00	300

Calculate the annual rate of return for last 5 years.

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- b) The Capital of Zeeshan Ltd . consists of 9% Preference Shares of Rs. 10 each, Rs. 3,00,000, Equity Shares of Rs.10 each, Rs. 8,00,000. The profit after tax is Rs. 5,40,000, Equity Dividend is 20% and market price of Equity Shares Rs. 60. You are required to calculate following ratios and comment on- (a) Dividend Yield, (b) Preference Dividend Cover (c) Equity Dividend Cover, (d) Earnings Per Share and (e) Price- Earnings Ratio 7

5. a) Discuss Security Market Line (SML) with diagram. 8
 b) "Most investors are risk averse." Comment. 7

OR

5. a) The expected returns and Beta of three Securities are as follows 8

Securities	A	B	C
E(r) (%)	18	11	15
Beta	1.3	0.4	1.2

If risk free rate is 8% and market returns are 13%, which stocks are over, under or correctly valued in the market? What will be your strategy?

- b) From the following information calculate Beta of security comment market. 7

Years	Return on Security (%)	Return on Market (%)
1	10	12
2	12	10
3	14	14
4	10	11
5	8	9

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