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Reg. No. : .....

Name : .....

Third Semester M.Com. Degree Examination, January 2018
Paper – II : CO 232 : SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
(2014 Admission)
Elective : Finance

Time : 3 Hours

Max. Marks : 75

All Saints' College Trivandrum

SECTION – A

Answer **all** questions. **Each** question carries **2** marks.

1. State the objectives of investment.
2. What is yield-to-maturity ? How is it calculated ?
3. What is default risk ?
4. What are oscillators ? Explain the calculation of any one oscillator.
5. What is industry analysis ?
6. State the significance of portfolio revision.
7. What is multiple period equity valuation model ?
8. What is meant by conservative portfolio ?
9. What is capital market line ?
10. What do you mean by hedging ?

(10×2=20 Marks)

SECTION – B

Answer **any five** questions. **Each** question carries **5** marks.

11. Discuss the investment decision process.
12. Explain the important types of bond risk.
13. Discuss the advantages of fundamental analysis.
14. What is support and resistance level ? What is its purpose ?

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15. State the assumptions of Markowitz theory.

16. Distinguish between forward and future contracts.

17. A Rs. 10,000 face value bond bearing a coupon rate of 3.5% matures after 10 years. The expected yield to maturity is 6%. The bond is currently sold in the market at Rs. 8,020. Should the investor buy it ?

18. You are considering the purchase of 500 shares of company XYZ Ltd., with the intention of selling them out at the end of 5 years. You estimate that the company will pay Rs. 3.50 per share as dividends for the first two years and Rs. 4.50 per share for the next three years. You further estimate that, at the end of the five year holding period, the shares can be sold for Rs. 85 per share. If your required rate of return is 12%, what would you be willing to pay today for these shares ?

(5×5=25 Marks)

SECTION – C

Answer **any two** questions. **Each** question carries **15** marks.

19. Explain the concept and sources of systematic risk. Why is it called systematic risk ?

20. Describe the important market indicators that are useful in studying the trend of the market.

21. A financial analyst is analysing two investment alternatives of P and Q. The estimated rates of return and their chances of occurrence for the next year are as follows :

Probability of occurrence	Rates of Return	
	P	Q
0.20	22%	5%
0.60	14%	15%
0.20	–4%	25%

a) Determine each alternative's expected rate of return, variance and standard deviation.

b) If the financial analyst wishes to invest half in P and another half in Q, would it reduce risk ? Explain the reason for it.

(2×15=30 Marks)

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