

M.Com(A&F) DEGREE EXAMINATION, APRIL 2020
II Year IV Semester
Security Analysis and Portfolio Management

Time : 3 Hours

Max.marks :75

Section A ($10 \times 2 = 20$) Marks

Answer any **TEN** questions

1. Define economic Investment.
2. Define Preference Shares.
3. What is Time Value of Money?
4. Mr.Ramkumar expects to receive Rs. 75,000 per year for 4 years. Calculate the present value of annuity if the rate of return on investment is 14%.
5. Mr.Nandakumar invests Rs. 20,000 at an interest rate of 10%. The interest is compounded annually. Calculate the compound value after 5 years.
6. What is mean by Derivatives?
7. A bond whose par value of Rs.2,000 bears a coupon rate of 12% and has a maturity period of 3 years. The required rate of return on bond is 10%. What is the value of the bond?
8. Mr.Lahars holds 12% irredeemable preference shares of Rs.2,000. The required rate of return is 14%. What is the value of the preference share?
9. What is portfolio management?
10. What is diversification?
11. Assume that the risk free rate of return is 7%. The market portfolio has an expected return of 14% and a standard deviation of return of 25%. Under equilibrium condition as described by CAPM, What would be the expected return for a portfolio having no unsystematic risk and 20% standard deviation of return.
12. Define Capital Market Line.

Section B ($5 \times 5 = 25$) Marks

Answer any **FIVE** questions

13. Explain the objectives of Financial Investment.
14. Mr.Nagamani deposits of Rs.50,000 on 1.1.2007 at 12% interest. He wants to know, in how many years the amount will grow to Rs.4,00,000. Advise him by using the rule of 72.

15. Explain the various types of risk.
16. Ashok Raj has a portfolio of five securities whose expected return and amount invested are as follows:

Security	I	II	III	IV	V
Amount(Rs)	1,50,000	2,50,000	3,00,000	1,00,000	2,00,000
Expected Return	12%	9%	15%	18%	14%

Estimate overall return on his portfolio.

17. Explain 'Dow Theory'.
18. Explain the portfolio management process.
19. What are the assumptions of CAPM?

Section C ($2 \times 15 = 30$) Marks

Answer any **TWO** questions

20. What are the various sources of information to an investor?
21. The returns on securities A and B are given below

Probability	Security A	Security B
0.5	4	0
0.4	2	3
0.1	0	3

Give the security of your preference. The security has to be selected on the basis of return and risk.

22. A firm paid a dividend of Rs.8 per share and face value is Rs.10. The dividend is expected to grow at 5% per annum. The company belongs to a risk group for which equity capitalization is 12%.
- What is the intrinsic value of share?
 - Would the value be different if the risk class was 15%.
23. Explain the CAPM. How does it help in the estimation of expected return of a security?

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