

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com. (Hons) Winters 2019 – 20 Examination

Semester: 5

Subject Code: 16101301

Subject Name: Security Analysis & portfolio Management

Date: 25-11-2019

Time: 10:30am to 01:00pm

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Multiple choice type questions. (Each of one mark)****(06)**

1. The capacity to bear _____ distinguishes an investor from a speculator.

a) Return	b) Risk
c) Rate	d) All of the above
2. Exercise Price denote to _____ Price of financial instrument.

a) Strike Price	b) Forward price
c) Future Price	d) Notional Price
3. Return is an outcome of _____.

a) Primary Market	b) Risk
c) Secondary Market	d) Investment
4. Which is a not a financial derivative?

a) Forward	b) Futures
c) Swap	d) Shares
5. _____ is Probability of getting return.

a) Return	b) Money
c) Risk	d) None
6. _____ person sells shares in expectation of fall in share price for buying shares at lower price at future date.

a) Bull	b) Cow
c) Bear	d) None

B) Answer the following. (Each of one mark)**(06)**

1. What is Risk?
2. What are Zero Coupon bonds?
3. What is Primary Market?
4. Who are known as Bear in relation to stock market?
5. What is prospectus?
6. What is portfolio?

Q.2 Answer the following. (Each of 04 mark)**(12)**

1. What are the characteristics of investment?
2. What is price sensitive information for an organization?
3. If risk free rate of return is 6% as the treasury bill rate and market return is expected to vary with the β of 1.2. Market rate of return is 18% what is the expected return? What is expected return if Beta Changes to 1.6?

Q.3 Answer the following. (Any Three)

(18)

1. What are sources of systematic risk?
2. What are the powers and functions of SEBI? (Any 6)
3. Mr.A owns Rs.1000 face value bond with five years to maturity. The bond has an annual coupon of Rs.75. The bond is currently priced at Rs.970. Given an appropriate discount rate of 10%, should Mr. A hold or sell the bond?
4. (a) An investor 'H' purchased a bond at a price of Rs.10500 with Rs.2000 as coupon payment and sold it at Rs.12500. what is his holding period return?
(b) If the bond is sold for Rs.11500 after receiving Rs.3000 as coupon payment, then what is the holding period return?

Q.4 Answer the following. (Any two)

(18)

1. The current dividend on an equity share of ABC Limited is Rs. 10.00. Vertigo is expected to enjoy an above-normal growth rate of 20 per cent for a period of 7 years. Thereafter the growth rate will fall and stabilize at 15 per cent. Equity investors require a return of 22 per cent. What is the intrinsic value of the equity share of Vertigo?
2. List the content of prospectus. (Any nine)
3. The following information is given about two companies A limited & J limited. Compute standard deviation of the returns of their shares.

A Limited		J Limited	
Return (ri)	Probabilities (pi)	Return (ri)	Probabilities (pi)
15	0.10	15	0.10
17	0.20	17	0.20
9	0.30	9	0.30
20	0.25	20	0.25
10	0.15	10	0.15