REV-01 2022/07
MCM/13/20

MASTER OF COMMERCE
FOURTH SEMESTER
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
MCM-405A

Duration : 3 hrs. **Full Marks: 70**

[PART-A: Objective]

Time : 20 min. **Marks : 20**

Choose the correct answer from the following: *1X20=20*

1. Investment __________ can be defined as the existing investment vehicles in the market available for investor and the places for transactions with these investment vehicles.
   a. Banking b. Environment
   c. Market d. Analysis

2. Which of the following is a defensive industry?
   a. Steel industry b. Cement industry
   c. Pharmaceuticals d. None of the above

3. Level that the technical analyst believes that a stock price will not fall below.
   a. Support level b. Resistance level
   c. Maximum level d. Maximum level

4. __________ risk in a company is associated with the capital structure of the company.
   a. Default b. Financial
   c. Inflation d. Interest rate

5. The efficient market hypothesis assumes that investors are:
   1. rational
   2. irrational
   3. Orderly
   4. Tidy
   a. 1, 3 and 4 b. 1 and 3
   c. 2, 3 and 4 d. 2 and 4

6. The return on zero coupon bond is in the form of a ……………………..on issue of the bond.
   a. premium b. rebate
   c. discount d. None of the above

7. Mr. Govin has an irredeemable preference share of Rs. 1,000. He receives an annual dividend of Rs. 60 annually. What will be its value if the required rate of return is 10%?
   a. Rs. 600 b. Rs. 700
   c. Rs. 800 d. Rs. 900

8. The ……….form of efficient market deals with all information, both public and private (or inside).
   a. Week
   b. Semi-week
   c. Strong
   d. Semi-strong

9. The Arbitrage Pricing Theory is an equilibrium model developed by:
   a. Stephen Ross
   b. William Sharpe
   c. Harry Markowitz
   d. William Robinson

10. The expected return of a portfolio of assets is……………..
   a. Arithmetic average of the return of the securities included in the portfolio
   b. Geometric mean of the return of the security included in the portfolio
   c. Weighted average of the return of the individual securities held in the portfolio
   d. Weighted risk of the security held in the portfolio

11. Sharpe's single index model is based on single factor assumption. This factor is:
   a. Covariance
   b. Correlation coefficient
   c. Standard deviation
   d. Market index

12. The …………………… is the set of optimal portfolios that offer the highest expected return for a defined level of risk or the lowest risk for a given level of expected return.
   a. Inefficient portfolio
   b. Efficient portfolio
   c. Efficient frontier
   d. None of the above

13. Which of the following is the final phase of portfolio management?
   a. Security Analysis
   b. Security Revision
   c. Security Evaluation
   d. Security Execution

14. ……………….involves changing the existing mix of securities.
   a. Portfolio construction
   b. Portfolio selection
   c. Portfolio evaluation
   d. Portfolio revision

15. ……………..is the ratio of the reward or risk premium to the variability of return or risk as measured by the standard deviation of return.
   a. Sharpe Ratio.
   b. Treynor Ratio
   c. Jensen Ratio
   d. None of the above

16. ……………….. portfolio management replicates a specific benchmark or index in order to match its performance.
   a. Active
   b. Passive
   c. Semi-active
   d. Semi-passive

17. The advantage of futures contracts over forward contract is that they
   a. are standardized
   b. have a lower default risk
   c. are more flexible
   d. Both (a) & (b) are true

18. Options are contracts that give the purchaser the:
    a. Option to buy or sell an underlying asset
    b. Obligation to buy or sell an underlying asset
    c. Right to hold an underlying asset
    d. None of the above

19. The amount paid for an option is the
    a. strike price
    b. premium
    c. discount
    d. commission

20. The disadvantage of swaps is that they
    a. lack liquidity
    b. are difficult to arrange for a counterparty.
    c. suffer from default risk
    d. All of the above

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(PART-B : Descriptive)

Time: 2 HRS 40 MINS — Marks : 50

[Answer question no.(1) & any four (4) from the rest]

1. Discuss the types of risks involved in investment. — 10

2. What is economic analysis? Discuss the important economic forces within which the factors of investment operate. — 2+8=10

3. A company is currently paying a dividend of Rs. 4.24 per share. The dividend is expected to grow at a 18 % annual rate for five years and then at 12% for ever. What is the present value of the share, if the capitalization rate is 14%? — 10

4. Explain Markowitz model of portfolio selection. Point out its two limitations. — 8+2=10

5. What is Arbitrage Pricing Model Theory? How does it differ from Capital Asset Pricing Model? What are the basic assumptions behind Arbitrage Pricing Model? — 2+4+4=10

6. What is meant by portfolio revision? What factors necessitate portfolio revision? Describe the major constraints in portfolio revision. — 2+4+4=10

7. Information regarding two mutual funds and a market index are given below: — 5+5=10

Fund	Return %	Standard Deviation %	Beta
Gold	7	15	0.72
Platinum	16	35	1.33
Market Index	10	24	1.00

Assuming the risk-free return as 5%, calculate the differential return for the two funds.

8. What are financial derivatives? Why do investors enter derivative contracts? Discuss its advantages. — 2+4+4=10

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