

M.Com. Part- II Examination, 2020 (DDE)

Subject : Commerce

(Paper 19: Security Analysis)

Time: 2 Hours

Full Marks: 40

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable

Answer any 4 questions

10x4=40

1. K Ltd. reported EPS of \$3.20 in 2018. The firm reported depreciation of \$315 million in 2018 and capital expenditures of \$475 million. There were 160 million shares outstanding, trading at \$51 per share. This ratio of capital expenditures to depreciation is expected to be maintained in the long term. The working capital changes are negligible. K Ltd. had debt outstanding of \$1600 million, and intended to maintain its current financing mix of debt to equity to finance future investment with a constant growth rate of 7% p.a. The stock had a beta of 1.05. The Treasury bond rate was 6.25%, and the risk premium was 5.5%. Estimate the value per share, using FCFE model.

10

2. Describe the key economic variables that an investor must monitor as part of his fundamental analysis.

10

3. a) Explain different forms of pricing efficiency in the stock market.

b) From the historical share prices of a company, the following information are obtained:

Number of total run = 15

Total number of positive share price change = 21

Total number of negative share price change = 17

From the above information, examine whether share prices behave randomly.

(5 +5 =10)

4.a) Briefly discuss the internet based trading system.

b) State the role of SEBI on depository services.

(5+5 =10)

5. Discuss the objectives and functions of SEBI .

(5+5=10)

6. a) Face Value of a bond= Rs. 1000

Life of the bond= 5 years

Coupon Rate = 15% p.a. payable annually

Current Market Price= Rs. 950

Calculate the Yield to Maturity.

b) Briefly explain different types of risks involved in debt instruments.

(5+5=10)