

M.Com 3rd Semester Examination, 2020
Subject: Commerce
Security Analysis and Portfolio Management
(Paper: COM306F)

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

Module I

Answer any two of the following questions: (10 x 2 = 20)

1. a) Explain the five factor model to analyze ROE of a company. (5+5)
b) Write short notes on: CAGR and Sustainable growth rate.
2. With the help of a hypothetical case of your choice, explain the various steps in the investment process. (10)
3. Consider the following types of information. If this information is immediately and fully reflected in security prices, what form of market efficiency is implied? Give your explanations.
(a) A company's recent quarterly earnings announcement.
(b) Historical volume data
(c) Deliberations of a company's board of directors concerning a possible merger with another company
(d) Announcement of bonus shares (10)

Module II

Answer any two of the following questions: (10 x 2 = 20)

4. a) Deduce the expression for finding out the optimal weights for a two-security portfolio.
b) Show that as the number of securities included in a portfolio increases, the importance of the risk of each individual security decreases whereas the significance of the covariance relationship increases. (5+5)

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5. From the following information construct an arbitrage portfolio and show the outcome in terms of net investment and risk. How long will this situation continue to exist?

Portfolio	E(ri)	Risk (bi)
X	10.8	0.8
Y	13.2	1.2
M	15	1

Assume that the arbitrage pricing model is given by:

$$E(r_i) = 6 + 6b_{i1}$$

(5+5)

6. Write short notes on:

a) Computation of Net Asset Value (NAV) and Public Offering Price (POP).

b) Comparison between Sharpe ratio and Treynor ratio.

(5+5)

Answer Papers are to be mailed to:

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