III Semester M.Com. Degree Examination, January 2019
(CBCS Scheme)
COMMERCE
Paper – 3.4 FB : Securities Analysis

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** questions of the following. (7×2=14)

   a) Distinguish between Investment vs Speculation.

   b) What is Real Estate Investment Trusts (REIT) ?

   c) Can a business will sustain with high business risk and financial risk ? Explain.

   d) What are Municipal Bonds ?

   e) What is meant by Enterprise Valuation (EV) ?

   f) What are Free Cash Flows ?

   g) What are limit orders and stop loss orders ?

   h) Differentiate between futures and options.

   i) What is meant by Bond Convexity ?

   j) Explain the application of covariance in security analysis.

SECTION – B

Answer **any four** questions from the following. (4×5=20)

2. Discuss various types of conventional and modern investment avenues available to investors for investment.

3. During the past five years, you owned two stocks that had the following annual rates of return :

Year	Stock "TCS"	Stock "BHEL"
1	0.19	0.08
2	0.08	0.03
3	– 0.12	– 0.09
4	– 0.03	0.02
5	0.15	0.04

Compute the arithmetic mean, standard deviation of the annual rate of return for each stock. Which stock is most desirable by this measure ? Also compute coefficient of variation for each stock.

4. What is a P/E Ratio ? Explain the various Relative Valuation Ratios with suitable examples, highlighting their importance in identifying the company as growth, growth stock, defensive companies and stocks, cyclical companies and stock.

5. Briefly discuss the problems related to fundamental analysis that are considered advantage for technical analysis.

6. What is meant by Efficient Market Hypotheses ? Discuss the three types of efficiency with suitable statistical tests to identify them.

7. A stock is currently trading for Rs. 150 and in one period it will either go up by 25 % or fall by 15 %. If one period risk free rate of return is 6%, what is the price of a European Call Option that expires in one period and has an exercise price of Rs. 150, use Binomial Option Pricing Model (BOPM) to value the option.

SECTION – C

Answer **any three** questions of the following.   (3×12=36)

8. The returns on the equity stock of Auto Electrical Limited and the market portfolio over an 11 year period are given below :

Year	Return on Auto Electricals Ltd., (%)	Return on Market Portfolio (%)
1	15	12
2	– 6	1
3	18	14
4	30	24
5	12	16
6	25	30
7	2	– 3
8	20	24
9	18	15
10	24	22
11	8	12

Calculate the beta for the stock of Auto Electricals Limited. Establish the characteristics line for the stock of Auto Electricals Limited.

9. R.D. Gupta recently purchased a bond with a Rs. 2,000 face value, a 10 per cent Coupon rate, and five years to maturity. The bond makes annual interest Payments, the first to be received one year from today. Mr. Gupta paid Rs. 2,100. For the bond.

   i) What is the bond's Yield – To – Maturity ?

   ii) If the bond can be called two years from now at a price of Rs. 2,500. What is its Yield – To – Call ?

10. Discuss various technical charts useful in understanding the support and resistance levels of stocks in case of technical analysis.

11. What is meant by Listing ? Discuss the concept of settlement and trading procedure applicable for intraday trading and position trading in NSE.

12. Explain various bond theorems with a hypothetical example. Solve the following exercise.

Find the portfolio variance of a portfolio consisting of equities, bonds and real estate, if the portfolio weights are 25 %, 50 % and 25 %. The standard deviations are 0.1689, 0.0716 and 0.0345 respectively. And, the correlations are 0.45 per equity and bonds, 0.35 for equities and real estate and 0.20 for bonds and real estate.

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