



III Semester M.Com. Examination, January 2018
(CBCS)
COMMERCE
Paper – 3.4FB : Security Analysis

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any seven** questions. **Each** question carries **two** marks. (7×2=14)

1. a) What are convertible debentures ?
- b) Define uncertainty.
- c) Distinguish coupon bearing bonds and zero coupon bonds.
- d) What are defensive share ? Give example.
- e) What is relative strength index ?
- f) Define Beta of a security. What does Beta of 4 mean ?
- g) What is meant by duration of bonds ?
- h) Define P/E ratio.
- i) What is weak form of market efficiency ?
- j) What is term structure of interest ?

SECTION – B

Answer **any four** question. **Each** question carries **5** marks. (4×5=20)

2. Explain investment process.
3. Explain economic analysis under fundamental analysis.
4. An investor purchases a bond at a price of Rs. 900 with Rs. 100 as coupon payment and sold it for Rs. 1,000.
 - a) What is the holding period return ?
 - b) If the bond is sold for Rs. 750 after receiving Rs. 100 as Coupon payment, then what is the holding period return ?

P.T.O.



5. How does technical analysis differ from fundamental analysis ?
6. Bring out the differences between forward contracts and futures contract.
7. From the following particulars determine expected return and standard deviation of security A.

Probability	Return %
0.20	11
0.30	12
0.35	14
0.15	10

SECTION – C

Answer **any three** questions. **Each** question carries **12** marks.

(3×12=36)

8. Explain the various forms of market efficiency under efficient market hypothesis.
9. The return of ABC Ltd. stock at present is 21%. This is assumed to continue for the next 5 years and after that it is assumed to grow at 10% indefinitely. The dividend paid for the last year is Rs. 3.20 per share. The required rate of return is 20%. Determine the estimated price of the security according to two stage model.
10. Calculate the duration of bonds A and B from the following particulars.

	Bond A	Bond B
Face value	Rs. 1,000	Rs. 1,000
Coupon interest	7%	8%
Years to maturity	4	4
Ytm	6%	6%

Also determine the volatility of bonds.

11. Explain the types of derivatives used for hedging purpose.
12. What are the investment opportunities ? Give a detailed account of any five.