Security Analysis & Portfolio Management II

Note: 1) All questions are compulsory, Subject to internal choice.   Marks 75

2) Figures to the right indicate full marks,

05/4/23

Q1 A) Rewrite the statements by choosing the correct option (any 8)   (8)

Q No	Question	Option A	Option B	Option C	Option D
1	.... assesses the liquidity of the business.	Acid Test	Net Profit Ratio	Debtors turnover ratio	Creditors turnover ratio
2	For Average Collection Period .... is the better.	Higher	Lower	Equal	Unique
3	For Stock Working Capital ratio .... is the better.	Higher	Lower	Equal	Unique
4	.... refers to lower an upper price range of the security.	Opening Gaps	Support and Resistance	Inverse Head and Shoulder	Head and Shoulder
5	Dow Theory exclusively relied on .... prices.	opening	closing	average	moving average
6	In Elliot wave theory, corrective trend consists of ___ waves	Three	One	Five	Four
7	.... beta indicates that security's return moves in the opposite direction from the market movement.	Positive	Zero	Negative	Variance
8	Defensive stocks have beta	Less than 1 but more than zero	One	Zero	Higher than 1
9	Market risk is best measured by the	alpha	Beta	Standard Deviation	coefficient of variation
10	The highest level of market efficiency is	weak form efficiency.	semi-strong form efficiency.	random walk efficiency.	strong form efficiency.

Q1 B) Match the following and rewrite. (any 7)   (7)

Column A	Column B
1 Bollinger Bands	a) Characteristics of an Industry Analysis
2 Cyclical Industries	b) Chart Type
3 Line Chart	c) Economic Analysis
4 MACD	d) Financial Statement
5 Mutual Funds	e) Fundamental Analysis
6 Price level and Inflation	f) Investment avenues
7 Prices Move in Trend	g) Optimal Portfolio
8 Profit and Loss Account	h) Oscillators
9 Ratio Analysis	i) Overlays
10 Risk Return Balancing	j) Technical Analysis

Q2 A) What is economy analysis? Explain the framework of economy analysis? (7)

Q2 B) What is trend analysis? How is they useful for inter-period analysis? (8)

OR

Q2 P) (15)

Following information is available for Better Deal Ltd for as on 31st March 2023.

Better Deal Ltd

Balance Sheet as on as on 31st March 2023.

Liabilities	Amt Rs	Assets	Amt Rs
Equity Share Capital	5,00,000	Fixed Assets	32,00,000
9% Preference Share Capital	6,00,000	Investments	2,50,000
General Reserve	5,50,000	Stock	2,10,000
Profit & Loss Account	2,30,000	Debtors.	3,00,000
10% Debentures	17,00,000	Cash	90,000
Provision for Tax (Current year)	2,10,000		
Sundry Creditors	2,60,000		
	40,50,000		40,50,000

Other Details for the Year :

Sales Rs.	36,00,000
(80% on Credit basis)	
Profit before Tax Rs.	5,00,000
Income Tax Rate 40%	

Calculate following ratios:

1 Current Ratio

2 Capital Gearing Ratio,

3 Debtors Turnover Ratio

4 Return on Proprietors Fund

5 Return on Capital Employed

6 Stock Working Capital Ratio

7 Net Profit after Tax Ratio

Note : Vertical statement not expected.

Q3 A) How are charts useful in technical analysis? (7)

Q3 B) What are leading and lagging indicators? Give suitable illustrations (8)

OR

Q3 P) (8)

Jamun Traders Ltd gives you following information

		Amt Rs.
Selling Price	Per Unit	30
Variable Cost	Per Unit	18
Contribution	Per Unit	12
Fixed Cost	Total	4,00,000
Production/ Sales (Units)		1,00,000

If production/ Sales changes then find out new operating profit and change in profit (%)

Case 1:	1,10,000
Case 2:	80,000

Calculate: for original values and case1 and case 2:

Contribution and Operating Profits

Degree of Operating Leverage

Q3 Q) (7)

From Following figures calculate operating profit, Profit Before Tax and financial leverage

		Amt Rs.
Selling Price	Per Unit	14
Variable Cost	Per Unit	4
Contribution	Per Unit	10
Fixed Cost	Total	3,00,000
Interest	Total	1,20,000
Production/ Sales (Units)		60,000

Q4 A) (10)

From the following information:

Security	Initial Price	Dividend/ Interest	Closing Price	Beta (Risk Factor)
Raja Ltd	25	3	50	1.20
Diwan Ltd	50	4	90	1.70
Vazir Ltd	75	4	95	1.50
GOI Bonds	1000	60	1005	0.01

Calculate:

1 Market Rate of Return of individual securities

2 Market Rate of Return the portfolio

3 Expected Returns on individual securities as per CAPM

4 Expected Returns on the portfolio as per CAPM

Assume:

1 The rate of risk free return is equal to rate of interest on GOI Bonds

2 Given portfolio is a diversified portfolio with equal weights.

Q4 B) (5)

Particulars	
Name of the Company	Random Ltd
Qty Held	1000 shares
Current Market Price Rs.	45
Dividend Paid Rs.	5
Risk Free Rate (%)	6
Market Risk Premium (%)	7
Beta Value	1.7
Expected Growth Rate (%)	10.

Decide Buy, Hold or Sell for above security.

OR

Q4 P) (15)

Mr Ritam has classified all stocks available in the market.
The respective categories and weights in market index,
sensitivity to returns and risk premium is as under

Category of Stocks	Weight in the Market Index (%)	Beta	Beta	Beta
		Factor 1	Factor 2	Factor 3
Small Cap	10	0.900	1.500	1.100
Mid Cap	20	0.750	1.600	0.900
Large Cap	40	1.250	2.000	6.000
Blue Chip	30	1.300	2.100	5.000
Risk Premium (%)		6	4	2
Risk Free Rate of Return (%)				5.00

Calculate:

a) Expected Returns of Market Index as per Arbitrage Pricing Theory (APT)

b) Expected Returns of Market Index as per Capital Asset Pricing Model (CAPM)
For this assume Beta of Factor 1 to be the Beta of the market.

c) If a portfolio is constructed only of Mid Caps and Large Caps with target Beta of 1,
Determine the composition of this portfolio.

Q5 A) Efficient Market Hypothesis, Random Walk Theory (7)
Q5 B) Efficient Market Hypothesis, Random Walk Theory (8)

OR

Q5 P) Write Short Notes (Any Three) (15)

a) Explain any two different types of price charts.

b) Assumptions of CAPM

c) Bearish Engulfing Candlestick Pattern

d) RSI

e) Price Earnings Ratio