



III Semester M.Com. (FA) Examination, May 2024
(CBCS Scheme) (2021-22)

FINANCIAL ANALYSIS

Paper – 3.2 : Security Analysis and Portfolio Management

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any seven** out of ten. **Each** question carries **two** marks : **(7×2=14)**

1. a) What is beta in risk measurement and how is it calculated ?
- b) State any 2 factors to be considered for formulating an investment policy.
- c) What do you mean by Dow Theory in technical analysis ?
- d) Define Efficient Market Hypothesis (EMH).
- e) Define the concept of alpha in portfolio management.
- f) Name any two multi-factor model used in portfolio management.
- g) Define market timing in the context of portfolio management.
- h) Name any 2 recent developments in portfolio evaluation strategies.
- i) Define ADRs, GDRs in the context of global markets.
- j) What is the purpose of Green Bonds and Masala Bonds ?

SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks : **(4×5=20)**

2. Explain the various types of investment avenues available to investors. Provide examples for each type.

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3. Mr. John invested in equity shares of TATA POWER, its anticipated returns and associated probabilities are given below :

Return	- 15	- 10	5	10	15	20	30
Probability	0.05	0.10	0.15	0.25	0.30	0.10	0.05

You are required to calculate the expected rate of return and risk in terms of standard deviation.

4. Explain the role of economic analysis and its importance in predicting market trends.
5. Given below is the information of market rates of returns and data from companies.

Year	Index Return	Company Return
2019	12	13
2020	11	11.5
2021	9	9.8

Determine the beta coefficients of the shares of company.

6. Explain the concept of portfolio revision and discuss the factors that may necessitate revisions to a portfolio's composition.
7. Describe the relationship between trends in global markets and domestic markets, discussing their implications for portfolio diversification and risk management.

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks : (2×12=24)

8. You have been asked by a client for advice in selecting a portfolio of assets based on the following data :

HDFC Security		ICICI Security	
Probability	Returns	Probability	Returns
0.3	19	0.2	22
0.4	15	0.4	6
0.3	11	0.4	14



You have been asked to create portfolios by investing equal proportions (i.e., 50%) in each of two different securities.

- a) What is the expected return on each of these securities ?
 - b) What is the standard deviation on each security's return ?
 - c) What is the expected return on each portfolio ?
 - d) For each portfolio, how would you characterize the correlation between the returns on its two assets ?
 - e) What is the standard deviation of each portfolio ?
 - f) Which portfolio do you recommend and Why ?
9. Analyze the significance of technical indicators in stock market analysis, providing examples of commonly used indicators and their practical implications.
10. Explain the role of the Sharpe Single Index Model and Capital Asset Pricing Model in portfolio performance evaluation, discussing their assumptions, methodologies and practical applications in portfolio management.
11. The data regarding the mutual fund performance has been provided :

Fund	Average Return %	Beta	Standard Deviation
Fund A	23	0.9	17
Fund B	27	1.15	18
Fund C	19	1.35	14
Fund D	24	1.00	20
Risk free rate of return	18%		
Average return of the market	20%		
Standard Deviation of the Market	15%		

- i) Assess the performance of above funds using Sharpe, Treynor and Jensen's performance evaluation method.
- ii) Rank the portfolio using Sharpe, Treynor and Jensen's and interpret their results.



SECTION – D

Answer the following :

(1×12=12)

12. You are a portfolio manager responsible for managing the investment portfolio of a high-net-worth individual, Ms. Jane Smith, who is nearing retirement. Ms. Smith has provided you with a pool of Rs.50,00,000 to invest on her behalf. She seeks to achieve a balance between capital preservation, income generation and capital appreciation. Her risk tolerance is moderate and she has a long-term investment horizon of over 10 years.

Using the principles of security analysis and portfolio management, address the following tasks :

- 1) Conduct a comprehensive analysis of various asset classes, including stocks, bonds, mutual funds and alternative investments.
 - 2) Design an investment strategy tailored to Ms. Smith's objectives and risk profile. Determine the optimal asset allocation across different asset classes and specific securities within each asset class.
 - 3) Justify your investment decisions based on the analysis conducted. Discuss how your proposed portfolio aligns with Ms. Smith's investment goals and risk preferences.
 - 4) Implement the investment strategy by constructing a diversified portfolio for Ms. Smith. Specify the allocation percentages for each asset class and provide rationale for the chosen allocation.
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