



**WEST BENGAL STATE UNIVERSITY**  
BBA Honours 6th Semester Examination, 2021

**BBAADSE07T-BBA (DSE3/4)**

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.  
Candidates are required to give their answers in their own words as far as practicable.  
All symbols are of usual significance.*

**GROUP-A**

**Answer any two questions from the following**

10×2 = 20

1. What is Risk? Explain 'Systematic Risk' and 'Unsystematic Risk' with their different sub-types. Also give example for each type of risk. 10
  
2. (a) A bond of Rs. 1,000 value carries a coupon rate of 10% and a maturity period of 6 years. Interest is payable semi-annually. If the required rate of return is 12%, calculate the value of the bond. 5  
 Given: PVIFA 6%, 12 years = 8.384; PVIF 6%, 12 years = 0.497.
- (b) Explain the Dow Theory. 5
  
3. What do you mean by technical analysis? State the assumptions behind the technical analysis. 10
  
4. Explain Efficient Market Hypothesis. What are its implications for investment decisions? 10
  
5. The expected return and Beta of three stocks are given below: 10

STOCK	A	B	C
Expected Return (%)	18	11	15
Beta Factor	1.7	0.6	1.2

If the risk-free rate is 9% and the expected rate of return on the market portfolio is 14%. Identify which of these stocks are over, under or correctly valued in the market. What shall be your investment strategy regarding these stocks?

6. Discuss the Markowitz Portfolio Model. 10

**GROUP-B****Answer any two questions from the following**

15×2 = 30

7. (a) The following are the data on five mutual funds:

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FUND	RETURN	STANDARD DEVIATION	BETA
A	15	7	1.25
B	18	10	0.75
C	14	5	1.40
D	12	6	0.98

You are required to rank these portfolios using (i) Sharpe method and (ii) Treynor method.

- (b) State any five advantages of Mutual Funds.

5

8. Write notes on the following:

- (a) Economic Analysis

5

- (b) Industry Analysis

5

- (c) Company Analysis.

5

9. (a) Explain the concept of fundamental analysis.

5

- (b) Differentiate between the fundamental and technical analysis.

5

- (c) Antique Arts company would pay Rs. 2.50 as dividend per share for the next year and it's expected to grow indefinitely at 12%, what would be the equity value per share if the investor requires 20% return?

5

10. Following data on market index returns and returns of Sun company's equity share are given for a particular period:

12+3

Index return ( $R_m$ ) in %	Scrip Return ( $R_i$ ) in %
0.50	0.30
0.60	0.60
0.50	0.40
0.60	0.50
0.80	0.60
0.50	0.30
0.80	0.70
0.40	0.50
0.70	0.60

- (i) What is the Beta value of the Sun company's equity shares?  
 (ii) If the market increases by 2% on any day, what would be the change in the share price of the Sun company?

11. Mr. A is interested to invest Rs. 1,00,000 in the security market. He has selected two securities B and D for this purpose. The risk-return profile of these securities are as follows:

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SECURITY	RISK ( $\sigma$ )	EXPECTED RETURN
B	10%	12%
D	18%	20%

Co-efficient of correlation between B and D is 0.15.

You are required to calculate the portfolio risk and return of the following combinations of B and D:

- (i) 100 percent investment in B only;
- (ii) 50 percent of the fund in B and the rest 50 percent in D;
- (iii) 75 percent of the fund in B and the rest 25 percent in D; and
- (iv) 100 percent investment in D only.

Advice Mr. A regarding the best alternative for investment from your calculations.

- 12.(a) What do you mean by beta of a security? Explain how it can be calculated.

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- (b) The Evergreen Investment Company manages a stock fund consisting of four stocks with the following market values and betas.

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Stock	Market Value (Rs.)	Beta
Bell	2,00,000	1.16
Sell	1,00,000	1.20
Grill	1,50,000	0.80
Shrill	50,000	0.50

If the risk-free rate of interest is 9 percent and the market return is 15 percent, what is the portfolio's expected return?

**N.B. :** Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.

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