

B.Com. (A & F) DEGREE EXAMINATION APRIL 2018

ACCOUNTING AND FINANCE

SIXTH SEMESTER

COURSE : MAJOR – CORE
PAPER : PORTFOLIO MANAGEMENT
TIME : 3 HOURS

MAX. MARKS: 100

Section A

Answer ALL the questions.

(10 x 2 = 20)

1. What is systematic risk?
2. Explain Dow Theory.
3. What are the assumptions of CAPM?
4. Define fundamental analysis.
5. What are the different types of bonds?
6. The earnings per share of couriers Ltd., is Rs.1.50. The investors expect that a PE ratio of 32 is appropriate for this company. What should be the price of the share? If the share is currently available for Rs.45 or Rs. 50, should an investor buy?
7. A firm has an opening stock of Rs.4,00,000 and the closing stock of Rs.5,00,000. The net sales made during the year amounted to Rs.24,00,000 to give a gross profit of 25% of the selling price. Calculate Inventory Turnover Ratio.
8. The rate of interest on a bond is 12% and the investor is paying income tax at the rate of 30%. Calculate after-tax rate of return.
9. A firm has paid dividend at Rs.2 per share. The estimated growth of the dividends from the company is estimated to be 5 % p.a. Determine the market price of the equity share, if the required rate of return of the equity investors is 15.5%.
10. An investor buys a Rs.100 bond of 9-year maturity with Rs.70/-worth of coupons per year. The per value of bond is R.1000/-Find out the current yield.

Section B

Answer Any FIVE questions.

(5 x 8 = 40)

11. Define portfolio Management. What are its Process?
12. Explain the characteristics of equity shares.
13. What are the basic assumptions of technical analysis?
14. In a portfolio of the company, Rs.2,00,000 have been invested in asset X which has an expected return of 8.5%, Rs.2,80,000 in asset Y which has an expected return of 10.2% and Rs.3,20,000 in asset Z which has an expected return of 12%. What is expected return for the Portfolio?
15. ABC Ltd., is currently paying dividend of Re.1 and it is expected to grow at 7% P.a. infinitely. What is the value if:
 - (i) The equity capitalisation rate is 15%
 - (ii) The equity capitalisation rate is 16%
 - (iii) The growth rate is 8% instead of 7% and
 - (iv) The equity capitalisation rate is 16% and the growth rate is 4%.
16. A had purchased a bond at a price of Rs.800 with a coupon payment of Rs.150 and sold it for Rs.1,000.
 - (i) What is the holding period return?
 - (ii) If the bond is sold for Rs.750 after receiving Rs.150 as coupon payment then what is his holding period return?

17. How many inputs are needed for a portfolio analysis involving 65 securities if covariances are computed using (a) Markowitz approach and (b) the Sharpe Index Model?

Section C

Answer Any TWO questions.

(2 x 20 = 40)

18. Explain the principles of portfolio Management.
 19. What are the factors responsible for causing internal risk in investment?
 20. The Balance sheet of x co Ltd., disclosed the following position as 31st December 2008

Liabilities	Rs.	Assets	Rs.
Share Capital 6,000 equity			
Shares of Rs.100 each	6,00,000	Goodwill	1,65,000
Profit & Loss A/C	75,000	Investments	5,25,000
General Reserve	2,25,000	Stock	6,60,000
6% debentures	4,50,000	Sundry Debtors	3,90,000
Workmen's savings bank A/C	3,00,000	Cash in hand	60,000
creditors	1,50,000		
	-----		-----
	18,00,000		18,00,000
	-----		-----

- (i) The profits for the past five years were:
 1994 - Rs.30,000 ; 1995 - Rs 70,000 ; 1996 - 50,000 ; 1997- Rs. 55,000 ; and
 1998- Rs. 95,000
 (ii) The market value of investments was Rs. 3,30,000
 (iii) Goodwill is to be valued at three years ' purchase of the average annual profit for the last five years. Find the intrinsic value of each share.
21. Silvania owns a portfolio comprising of four securities with the following characteristics.

Security	Beta	Standard deviation Random error Term	Projection
A	115	13	.40
B	95	11	.45
C	130	16	.30
D	110	14	.20

If the standard deviation of the market index is 25%, what is total risk of Silvania's portfolio?
