

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015-16 and thereafter)
SUBJECT CODE:15CM/MC/PO65

B.Com. (A & F) DEGREE EXAMINATION APRIL 2019
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 portfolio management?
2. 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. What is his holding period return?
3. What do you mean by risk?
4. Mr. X purchased a stock for Rs. 50 and sold it for Rs. 48. During the holding period, he received Rs. 3 as dividend. What is his holding period return?
5. What is equity share?
6. From the following data, compute the bond values of XYZ Ltd., when the required return on bond is 9 per cent.
Current selling price of the bond Rs. 10,800
Coupon rate of interest 10 per cent
Par value Rs. 10,000
Years to maturity 10; interest is paid annually.
7. What is technical analysis?
8. Calculate current ratio from the following given information:
Current assets = Rs. 1,50,000
Current liabilities = Rs. 60,000.
9. What are the forms of Efficient Mark of Hypothesis?
10. How many inputs are needed for a portfolio analysis involving 75 securities if covariances are computed using the Sharpe index model?

Section B

Answer Any FIVE questions.

(5 x 8 = 40)

11. An investor is evaluating two investment options. Both have equal returns but the probabilities of occurring these returns in two proposals are different. The returns and probabilities are:

Return	Probabilities X	Probabilities Y
13%	0.10	0.10
16%	0.20	0.40
22%	0.30	0.30
25%	0.40	0.20

Find out the expected return from both proposals. Also evaluate the risk of these returns.

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12. Mr. Jeeva Barathi has selected 2 securities, A and B, for his portfolio. The following information is provided by him:

Security	Expected Return	Std. Deviation
A	10%	5%
B	15%	7%

If he invested 40% of his funds in A and 60% in B, find the return of portfolio. Also find the maximum and minimum risk of such portfolio.

13. 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:
- The equity capitalization rate is 15%.
 - The equity capitalization rate is 16%.
 - The growth rate is 8% instead of 7% and
 - The equity capitalization rate is 16% and the growth rate is 4%.

14. Calculate the value of equity share from the following:

Equity Share Capital (Rs. 20 each)	Rs. 50,00,000
Reserves and Surplus	Rs. 5,00,000
15% Secured Loans	Rs. 25,00,000
12.5% Unsecured Loans	Rs. 10,00,000
Fixed Assets	Rs. 30,00,000
Investments	Rs. 5,00,000
Operating Profit	Rs. 25,00,000
Tax Rate	50%
P/E Ratio (Price- Earnings)	12.50

15. The following information is provided regarding the performance of the funds namely Birla advantage, Sundaram Growth and Sun F&C Value for a period of six months ending August 2018. The risk-free rate of interest is assumed to be 9.

	R _p	σ _p	β
Birla Advantage	25.38	4	0.23
Sundaram Growth	25.11	9.01	0.56
Sun F & C Value	25.01	3.55	0.59

16. Explain the various types of risk.
17. Discuss the technical analysis.

Section C

Answer Any TWO questions.

(2 x 20 = 40)

18. Discuss the Principles of Portfolio management.
19. Discuss the Capital Assets Pricing Model.
20. Following information is available in respect of PQR Ltd. For the year 2018-19:
- | | |
|-------------------------------------|---------------|
| Annual Turnover | Rs. 50,00,000 |
| Operating Profit | 20% |
| Equity Share Capital (Rs. 100 each) | Rs. 20,00,000 |
| Capital Reserve | Rs. 5,00,000 |
| 12% Preference Share Capital | Rs. 20,00,000 |

10% Term-loans	Rs. 10,00,000
12% Debentures	Rs. 10,00,000
Tax rate	30%
Dividend Payout Ratio	50%
Price Earnings Ratio	30
You are required to find out: (i) EPS (ii) DPS (iii) MP (iv) Earnings Yield (v) Dividend Yield	

21. Alpha and beta co-efficient for five stocks are given below.

Stocks	Alpha	Beta
Craft High Corp	1.00	0.80
Crown Corp	1.35	1.15
Courtesy Corp	1.18	1.25
Cute Corp	1.25	0.95
Cure Corp	1.50	1.40

Rank the five stocks using Jensen's performance measure.
