



BRAINWARE UNIVERSITY

Term End Examination 2019 - 20

Programme – Master of Business Administration

Course Name – Security Analysis and Portfolio Management

Course Code – FM303

(Semester – 3)

Time allotted : 3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

20 x 1 = 20

1. *Choose the correct alternative from the following (Answer any Twenty)*
 - (i) An investor is expecting 20% return from his investment. The dividend from this stock is Rs.2. Market price of the stock now is Rs.50. Calculate its expected market price after one year-
 - a. Rs.55
 - b. Rs.58
 - c. Rs.62
 - d. Rs.65
 - (ii) The broker shall have to furnish SEBI a copy of audited balance sheet and profit
 - a. One month of each accounting period
 - b. Two months of each accounting period
 - c. Three months of each accounting period
 - d. Six months of each accounting period
 - (iii) A stock of face value Rs.10 is currently selling at Rs.60 in the market. Company has declared 40% dividend. Calculate dividend yield of investor-
 - a. 5%
 - b. 6.67%
 - c. 7.5%
 - d. 10%
 - (iv) As per constant growth model, next year's dividend is 20%. Required rate of return is 10% and growth rate is 15%. Market price of the share should be
 - a. Rs.50
 - b. Rs.55
 - c. Rs.45
 - d. Rs.40

- (v) Fundamental analysis includes economic analysis. Gross domestic product (GDP) is a logical factor for this purpose. Reason is that it indicates
- a. Inflation & deflation
 - b. Market value of assets
 - c. Condition of stock market
 - d. Status of the economy
- (vi) Gross domestic product of India includes-
- a. Goods produced by an Indian in India
 - b. Goods produced by an Indian in foreign country
 - c. Goods produced by a foreigner in India
 - d. Goods and services produced within Indian territory in a specified period
- (vii) Decrease in interest rate is helpful for stock market because-
- a. Money may flow from bond market to stock market
 - b. Corporate can borrow at easy term
 - c. Brokers can do business with borrowed fund
 - d. Both b and c
- (viii) One of the following factors leads the activity of stock market
- a. Money supply
 - b. Per capita income
 - c. Unemployment rate
 - d. Manufacturing and trade
- (ix) In strong form of efficient market,
- a. All available information is reflected on the price
 - b. All published information is reflected on the price
 - c. Stock price reflects past prices
 - d. Stock price show growth or fall of the company
- (x) The share prices
- a. Move either in declining or increasing trend
 - b. May remain flat for a period of time
 - c. The movements of the share prices from a straight line
 - d. The increasing or decreasing move may be Zigzag
- (xi) Which one of the following items might result into dilution of a corporate earnings per share at present
- a. Convertible bonds
 - b. Warrants
 - c. Stock option given an incentive to top executives
 - d. All the above

- (xii) A run in the stock price is-
- | | |
|---|---|
| a. Interrupted sequence of either fall or rise in stock price | b. Uninterrupted sequence of either rise or fall in stock price |
| c. An alternative sequence of stock price movement | d. a and c |
- (xiii) The market value of the scrip is determined by-
- | | |
|--|---|
| a. The dividend declared by the company. | b. The present status of the stock market |
| c. Number of floating shares | d. The interaction of demand and supply |
- (xiv) In weakly efficient market, the stock price reflects,
- | | |
|--|-------------------------------------|
| a. The company's financial performance | b. Past price of the scrip |
| c. The demand for scrip | d. The past price and traded volume |
- (xv) In the stock market psychology-
- | | |
|------------------------------------|---------------------------|
| a. Investors forget the past | b. History repeats itself |
| c. More faith in future prediction | d. a and b |
- (xvi) A portfolio manager wants to increase return of his portfolio. He should choose stocks from-
- | | |
|--------------------------------|--|
| a. Defensive industry | b. Industry at a growth stage |
| c. Industry of maturity period | d. Industry with more export potential |
- (xvii) According to efficient market theorist the stock price
- | | |
|---|--|
| a. Moves in trend | b. Each successive change depends on the previous one. |
| c. Each successive change does not depend on the previous one | d. Price movement creates patterns |
- (xviii) Dow theory was developed to explain
- | | |
|-----------------------------------|--------------------------------------|
| a. New-York stock market movement | b. The Dow Jones Industrial averages |
| c. Security market price movement | d. The buy and sell strategy |

- (xix) If tax rate on dividend increases, then it will affect
- a. Investors
 - b. Corporate
 - c. Stock market
 - d. Financial Institutes
- (xx) LIFO inventory valuation technique results in-
- a. Underestimation of the firm's cost of goods sold during inflationary period.
 - b. Minimization of firm's income tax during inflation
 - c. Reflection of firms true earnings during inflation
 - d. All the above are true.
- (xxi) Mutual funds can make investment
- a. In a company listed or unlisted
 - b. In private placed securities of associated company
 - c. Up to 40 percent of the listed or unlisted securities of group companies
 - d. Should not exceed 10 percent of funds in securities of a single company
- (xxii) When fresh shares are issued, SEBI guideline has stated that equity preference ratio should be-
- a. 1:1
 - b. 2:1
 - c. 3:1
 - d. 4:1
- (xxiii) When new equities are issued for the first time, share held by promoters and their relatives should not be less than-
- a. 10%
 - b. 15%
 - c. 20%
 - d. 25%
- (xxiv) Aggregate investment limit of FII/NRI/OCB in a company as-
- a. 35%
 - b. 30%
 - c. 40%
 - d. 35%
- (xxv) Violation of a trend line means-
- a. Moving away from the trend line
 - b. Changing the direction
 - c. Penetration of trend line
 - d. Cutting the rising trend line from above

Group – B

(Short Answer Type Questions)

4 x 5 = 20

Answer any *four* from the following

- | | | |
|----|--|-----|
| 2. | Explain the concept of carry forward transaction. | 5 |
| 3. | Determine price of a bond with Rs.1,000 face value paying 5% annual coupon rate in semi-annual basis. It has 5 years maturity. Its yield to maturity is 7% | 5 |
| 4. | Explain the term fundamental analysis. State its difference with technical analysis. | 2+3 |
| 5. | A company is paying Rs.2.50 dividend per share for next year. It is expected to grow indefinitely at 12%. Calculate value of the equity share if investor requires 20% return. | 5 |
| 6. | Analyze in brief the impact of leverage in the earnings of a company. | 5 |
| 7. | Explain in brief the concept of mutual fund theory | 5 |

Group – C

(Long Answer Type Questions)

3 x 10 = 30

Answer any *three* from the following

- | | | |
|-----|---|----|
| 8. | Explain Unsystematic and systematic risk in detail. Give suitable example. Also show the ways of reducing it. | 10 |
| 9. | Discuss different methods of issue of shares and state their advantages | 10 |
| 10. | Explain important guidelines of pricing and allotment of new issues as prescribed by SEBI. | 10 |
| 11. | Primary and secondary markets are complementary to each other but organizational set up are different. Explain this statement | 10 |
| 12. | (a) Explain the concepts of fixed price method and book building method of issuing shares. | 7 |
| | (b) In this connection explain advantage of book building process to company over fixed price method. | 3 |
