

(M.Com Part-II) Investment Analysis and Portfolio Management

Roll No: _____
in words: _____

Cutting, Overwriting, Erasing, Fluid painting and use of Lead Pencil will earn no marks.
Write answer of the Question No.1 and 2 on this sheet and handover it to the supervisory staff of examination within first 35 minutes.

Time Allowed: 35 Minutes (OBJECTIVE PART) Max. Marks: 32 Sign of _____
1- a) Encircle the correct answer: 1x8 Supdt.

- i) A stock pays a \$1.50 dividend and falls in price from \$56.25 to \$52.75. What is the stockholder's total dollar return?
a) -\$1.50 b) -\$2 c) -\$2.50 d) -\$3
- ii) On what basis do we normally distinguish money market securities from fixed income securities?
a) Issuer b) Interest Rate c) Maturity d) Tax Status
- iii) Which mutual fund type is most likely to own stocks paying the highest dividend yields?
a) Capital Appreciation Fund b) Equity Appreciation Fund
c) Growth and Income Fund d) Growth Fund
- iv) The over the counter market for exchange listed securities called:
a) Third Market b) Fourth Market c) After Market d) Block Market
- v) Which of the following best defines cash flows?
a) Net Income plus Depreciation b) Net Income minus Depreciation
c) Net Income plus Taxes minus Depreciation d) Net Income plus Taxes Divided by Depreciation
- vi) Which of the following is not an adjustment to net income used to obtain operating cash flow?
a) Changes in Operating Assets b) Changes in Current Liabilities
c) Loss on Sale of Assets d) Dividend Paid
- vii) A US t-bill with 180 days to maturity has a discount yield of 5% and a face value of \$100,000. What is its current price.
a) \$97,500 b) \$95,000 c) \$92,500 d) \$90,000
- viii) The duration of a bond normally increases with an increase in:
a) Term to Maturity b) Yield to Maturity c) Coupon Rate d) All of the above

- b) Encircle True or False: 1x4
- i) Pay offs in options are symmetric in nature. True / False
- ii) Bonds price and Interest Rate are positively related. True / False
- iii) Technical analysts are also called chartists. True / False
- iv) In an efficient market investors can earn abnormal return. True / False

- c) Fill in the blanks: 1x4
- i) According to _____ there is positive relationship between expected return of an asset and its beta.
- ii) In the money options have _____ value.
- iii) A method for quoting interest rates on money market instruments is called _____ rate.
- iv) _____ option can be exercised any time before expiration.

2- Give short answers to the following questions:

2x8

i) Define Investment Opportunity Set._____

ii) Define Fundamental Analysis.

iii) What is marking to Market?

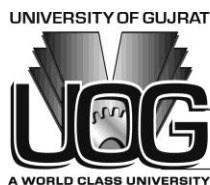
iv) What is meant by Systematic Risk?

v) What is Stop Order?

vi) Define Front End Load.

vii) Define Option Premium.

viii) Define Short Sale.



(M.Com Part-II) **Investment Analysis and Portfolio Management**

Roll No: _____
Time Allowed : 2:25 hrs
Max. Marks : 68

Attempt **FOUR** Questions in all. All Questions carry equal marks.

SUBJECTIVE PART

- 3- You decide to sell short 100 shares of PTCL when it is selling at its yearly high of 56. Your broker tells you that your margin requirement is 45 percent and that the commission on the purchase is Rs. 155. While you are short the stock, PTCL pays Rs. 2.50 per share dividend. At the end of one year, you buy 100 shares of PTCL at 45 to close out your position and are charged a commission of Rs. 145 and 8 percent interest on the money borrowed. What is your rate of return on the investment?
- 4- The Shell Corporation has just issued a Rs. 1,000 par value zero coupon bond with an 8 percent yield to maturity, due to mature 15 years from today (assume semiannual compounding).
- i) What is the Market Price of Bond?
 - ii) If interest rates remain constant, what will be the price of bond in three years?
 - iii) If interest rates rise to 10 percent, what will be the price of the bond in three years?

5- Assume the following information:

$$\sigma^2_m = 0.0017$$

Stock	σ^2_i	r_{im}
A	0.007	0.10
B	0.007	0.4
C	0.007	0

Calculate the Beta, systematic risk and unsystematic risk of each stock.

- 6- What is Technical Analysis? Explain the Dow Theory of Technical Analysis.
- 7- Briefly explain the following:
- a) Short Sale
 - b) Market Order and Stop Loss Order
 - c) Closed End Mutual Fund
- 8- Explain how futures overcome the problematic features of forwards?