

BBA 5th Semester Exam., 2019

**SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT**

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The questions are of equal value.
- (ii) There are **SEVEN** questions in this paper.
- (iii) Attempt **FIVE** questions in all.
- (iv) Question Nos. 1 and 2 are compulsory.

1. Choose the correct option of the following (any six) :

- (a) A liquid asset may
 - (i) be converted into cash
 - (ii) be converted into cash with little chance of loss
 - (iii) not be converted into cash
 - (iv) not be converted without loss

(Turn Over)

- (b) While bond prices fluctuate
 - (i) yields are constant
 - (ii) coupons are constant
 - (iii) the spread between yields is constant
 - (iv) short-term bond prices fluctuate even more
- (c) If interest rates rise, the price of preferred stock
 - (i) is not affected
 - (ii) rises
 - (iii) falls
 - (iv) may rise or fall
- (d) The use of financial leverage by a firm may be measured by the
 - (i) ratio of debt to total assets
 - (ii) firm's beta coefficient
 - (iii) firm's retention of earnings
 - (iv) ratio of the price of the firm's stock price to its earnings

- (e) Which of the following is an example of a depreciable asset?
- (i) Land
 - (ii) Cash
 - (iii) Accounts receivable
 - (iv) Equipment
- (f) As the debt ratio increases
- (i) fewer assets are debt-financed, and the ratio of debt-to-equity increases
 - (ii) fewer assets are debt-financed, and the ratio of debt-to-equity decreases
 - (iii) more assets are debt-financed, and the ratio of debt-to-equity increases
 - (iv) more assets are debt-financed, and the ratio of debt-to-equity decreases
- (g) The net asset value of a mutual fund investing in stock rises with
- (i) higher stock prices
 - (ii) lower equity values
 - (iii) an increased number of shares
 - (iv) increased liabilities

- (h) Financial leverage may increase corporation's risk because **2.**
- (i) operating income may stabilize
 - (ii) the firm has fixed obligations to meet
 - (iii) more common stock is outstanding
 - (iv) dividends must be paid
- (i) Equity does not include
- (i) cash and paid-in capital
 - (ii) common stock and paid-in capital
 - (iii) paid-in capital and retained earnings
 - (iv) common stock, paid-in capital and retained earnings **3.**
- (j) Corporate bond indenture agreements often specify each of the following **4.** except
- (i) bond call provisions
 - (ii) sinking fund requirements **5**
 - (iii) restrictions on the corporation's dividend payments
 - (iv) assets on which debenture issues are collateralized

2. Answer any *three* of the following questions :

- (a) The investment process involves a series of activities starting from the policy formulation. Discuss.
- (b) Explain the concept of investment.
- (c) Explain the Dow theory.
- (d) What are benchmark portfolios?
- (e) Distinguish between Systematic Investment Plan and Reinvestment Plan.

3. "Mutual funds provide stability to share prices, safety to investors and resources to the prospective entrepreneurs." Critically evaluate this statement.

4. Discuss the CAPM and its application in portfolio selection. Explain the relationship between SML, CML and characteristic line.

5. "No Investment Decisions are made without calculating risk." Do you agree? As an Investment Manager of a firm, discuss the various steps involved in the investment decision-making process.

(Turn Over)

6. What is the need for industry analysis? Discuss SWOT analysis for industries.

7. What are the major criticisms of the technical analysis? Do the technical analysis and fundamental analysis give complementary information about securities for making investment decisions? Explain.
