SEMESTER III

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

1. Course Description

Programme: M. Com (Finance and Analytics)

Course Code:P24/COM/DSE/302	Max Hours: 75
Type of course: DSE	Max Marks: 100
No. of Credits 5	Hours per week: 5 hrs

2. Course Objectives

- The objective of the course is to familiarize with securities market analysis and valuation of different securities
- To help students in building optimal portfolio and acquaint with trends in the securities market.

3. Course Outcome: At the end of the course, the student will be able to

CO1: Examine and apply fundamental analysis and technical analysis for real time financial data.

CO2: Explain and apply various share and bond valuation techniques

CO3: Discuss and apply CAPM and Arbitrage Pricing Theory.

CO4: Analyze and evaluate portfolio performance, calculate stock indices, and use portfolio revision techniques.

CO5: Understand and describe international investing concepts.

4. Course Content

MODULE I: SECURITY ANALYSIS (15 Hrs)

Fundamental Analysis: Meaning – Economy Analysis – Economic Forecasting – Forecasting Techniques – Industry Analysis – Concept of Industry – Industry Life Cycle – Industry Characteristics – Company Analysis – Financial Statements – Analysis of Financial Statements (Theory Only).

Technical Analysis: Meaning – Dow Theory – Basic Principles of Technical Analysis – Trends and Trend Reversal – Eliot Wave Theory – Mathematical Indicators – Market Indicators (including simple problems).

Efficient Market Theory: Random Walk Theory – The Efficient Market Hypothesis – Forms of Market Efficiency – Tests of Efficient Market Hypothesis (Theory).

MODULE II: VALUATION SECURITIES (15 Hrs)

Share Valuation: Concept of Present Value – Share Valuation Model – One Year Holding Period – Multiple Year Holding Period – Constant Growth Model – Multiple Growth Model – Multiplier Approach to Share Valuation (Including problems).

Bond Valuation: Bond Returns – Coupon Rate – Current Yield – Spot Interest Rate – Yield to Maturity– Yield to Call – Bond Prices – Bond Risks – Bond Duration –Bond Immunization(Including Problems).

MODULE III: CAPITAL MARKET THEORY (15 Hrs)

Capital Market Theory: Assumptions- Capital Asset Pricing Model – Efficient Frontier with Riskless Lending and Borrowing – Capital Market Line – Security Market Line – SML Vs. CML – Pricing of Securities with CAPM – Limitation of CAPM (Including problems).

Arbitrage Pricing Theory: The Law of One Price – Assumptions – Arbitrage Pricing for one Risk Factor – Two Factor Arbitrage Pricing – Multiple Arbitrage Pricing – Limitations of APT (Including Problems).

MODULE IV: PORTFOLIO PERFORMANCE EVALUATION (15 Hrs)

Portfolio Performance Evaluation: Need for Evaluation – Evaluation Perspective – Meaning of Portfolio Evaluation – Measuring Portfolio Return – Risk Adjusted Returns – Sharpe Ratio – Treynor Ratio – Differential Return (Including Problems).

Security Market Indexes: Meaning – Different Averages and Indexes Exist – The Construction of Indexes – Maintenance Problems with Security Market Indexes – Stock Market Index Revision (Including Problems).

MODULE V: PORTFOLIO REVISION: (15 Hrs)

Portfolio Revision: Need for Revision – Meaning of Portfolio Revision – Constraints in Portfolio Revision – Portfolio Revision Strategies – Formula Plan – Constant Rupee Value Plan – Constant Ratio Plan – Dollar Cost Averaging (theory).

International Investing: Benefits and Risk of Global Investing – Factors Influencing International Investing(Theory).

5. **References:**

1. S. Kevin : Security Analysis and Portfolio Management, Prentice Hall India
2. Punithavathi Pundyan: Securities Analysis & Portfolio Management, Vikas
3. Avadhani,V.A: Investment & Security Management in India, Himalaya
4. Bhall,V.K.: Investment Management, S. Chand & Co.
5. Fisher Donald E & Ronald J Jordan: Securities Analysis & Portfolio Management, Prentice Hall India;
6. Francicia Jack Clark & Richard W Taylor: Theory & Problems of Investment, Mcgrawhill;
7. Gangadhar V: Investment Management, Anmol
8. Mayo: Investments, Thomson
9. Reilly: Investment Analysis and Portfolio Management, Thomson
10. Strong: Practical Investment Management, Thomson
11. Sharp Etal.: Investments, Prentice Hall; 13.Sulochana M: Investment Management, Kalyani.

Model Question Paper- End Semester Exam

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
MODEL QUESTION PAPER

Course Code: P24/COM/DSE/302 **Max Marks: 60**

Credits: 5 **Time: 2 hrs**

SECTION – A

Answer the following questions **5 x 10 = 50 M**

1. Describe about Economic, Industry, Company Analysis (EIC Analysis) in detail.

OR

2. What is efficient market theory? Explain the forms of market efficiency.

3. Explain the constant growth model and multiple growth model of share valuation.

OR

4.i) The face value of a bond is Rs. 1000 and it is currently selling at Rs. 1200 with a coupon rate of 12% and 10 years to maturity. Calculate the current yield from the bond.

4. ii) The face value of a zero coupon bond is Rs. 1000. It is currently selling at Rs. 797.19 and the investor will receive the principal amount of Rs. 1000 after two years of maturity of the bond. Calculate the spot interest rate on this zero coupon bond.

5.i)Sunrise holdings ltd, an investment company has invested in equity shares of a bluechip company. Its
Risk free return = 9%
Expected Total return= 16%
Market sensitivity index= 0.8
Calculate the expected rate of return using CAPM on the investment made in the security.

5.ii) Explain the Capital Asset Pricing Model. **(5 Marks)**

OR

6. Explain the Arbitrage Pricing Theory. What are its limitations?

7. Given the following Information:

	Portfolios			
	P	Q	R	S
Beta	1.10	0.8	1.8	1.4
Return (%)	14.5	11.25	19.75	18.5
Standard deviation (%)	20.0	17.5	26.3	24.5

Risk Free Rate of return is 6 %. Market Return is 12 %

Calculate: i) Sharpe Ratio ii) Treynor Ratio iii) Jensen Ratio

OR

8. Explain the Construction of Index.

9.Explain the Factors Influencing International Investing.

OR

10. Describe briefly :
   a) Constant Rupee Value Plan with one example
   b) Constant Ratio Plan with one example
   c) Rupee Cost Averaging

SECTION – B

Answer any five of the following questions **5 x 2 = 10 M**

11. What is meant by Economic Analysis?

12. What is meant by Yield to Maturity?
13. Explain Capital Market Line?
14. What is the meaning of Portfolio Evaluation?
15. Explain what is meant by active management in portfolio revision?
16. What is the Dow Theory?
17. What is fundamental analysis?