

MAY 2013

**P/ID 77522/PMEF/
PMBF2**

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. State the merits and limitations of different kinds of securities.
2. What are fixed income securities? Explain their features.
3. How the performance of shares can be evaluated?
4. How do volume and breadth of the market indicate the trend of the market?
5. 'Moving averages not only smoothen the data, but also predict the market'. Comment.
6. What are the factors affecting the call premium?
7. Give an account of various types of mutual funds available in the Indian capital market.
8. 'Utility analysis influences individual investors'. Elucidate.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Valuation and return assessment are the two sides of the coin viz., 'Security analysis'. Justify this statement with examples.
10. Suggest a scientific methodology for the evaluation of fixed income securities.
11. Do you think that knowing the current status of economy is useful in analyzing stock market movements? If so, explain.
12. What are the factors that affect the earnings per share of the company? How can leverage policies affect earnings performance?
13. 'Chart patterns are helpful in predicting the stock price movement'. Comment.
14. What are the basic features of futures? Distinguish between options and futures.
15. Explain the Jensen Index of portfolio performance.
16. What is rupee cost averaging? What are its benefits? How does constant rupee plan differ from constant ratio plan?

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PART C — (20 marks)

(1 × 20 = 20)

Case Study :

17. A naive investor wants to analyse the capital structure of a company. He has the following information :

	ABC Company		
	(Rs. in million)		
	1990	1995	1998
Long-term debt (11%)	12.27	9.46	11.19
Preferred stock (10%)	0.13	0.13	0.12
Common stock (par Rs. 10)	0.01	0.14	12.6
Capital surplus	5.67	6.35	6.19
Retained earnings	33.93	60.31	125.2
Dividend paid	3.005	3.684	10.08

The present price of the share in Mumbai stock market is Rs. 450. There is a rumour in the market that the ABC company may issue bonus shares shortly. The investor wants the answers for the following :

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- (a) Is there any ground for such rumour?
- (b) Is the capital structure sound?
- (c) Is it proper to purchase the shares?

Analyse the given data and advise him.

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