

B.B.A. 5th Semester Exam., 2018

**SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT**

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The marks are indicated in the right-hand margin.
- (ii) There are **SEVEN** questions in this paper.
- (iii) Attempt **FIVE** questions in all
- (iv) Question Nos. 1 and 2 are compulsory.

- (b) A negatively-sloped yield curve suggests that
 - (i) short-term rates exceed long-term rates; and the Federal Reserve is following a tight monetary policy
 - (ii) short-term rates exceed long-term rates, and the Federal Reserve is following an easy monetary policy
 - (iii) long-term rates exceed short-term rates, and the Federal Reserve is following a tight monetary policy
 - (iv) long-term rates exceed short-term rates, and the Federal Reserve is following an easy monetary policy

- (c) What does the market price of a bond depend on?
 - (i) The coupon rate and terms of the indenture
 - (ii) The coupon rate and maturity date
 - (iii) The terms of the indenture and maturity date
 - (iv) The coupon rate, terms of the indenture and maturity date

1. Choose the correct answer (any six) : $2 \times 6 = 12$

(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

- (d) 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
- (e) If interest rates rise, the price of preferred stock
- (i) is not affected
 - (ii) rises
 - (iii) falls
 - (iv) may rise or fall
- (f) Which of the following is true for municipal government debt?
- (i) It pays more interest than corporate debt.
 - (ii) It is often purchased by individuals with high incomes.
 - (iii) It is exempted from estate taxation.
 - (iv) It is not subjected to interest rate risk.

- (g) 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
- (h) Which of the following is an example of a depreciable asset?
- (i) Land
 - (ii) Cash
 - (iii) Accounts receivable
 - (iv) Equipment
- (i) 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

- (i) 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

Short essay-type questions (any three) : $4 \times 3 = 12$

- (a) What are the investment decision processes?
- (b) What is diffusion index?
- (c) Define Dow theory.
- (d) Define capital asset pricing theory (CAPM).
- (e) What are the key roles of financial analysis?

Answer any three of the following questions :

$12 \times 3 = 36$

What are the different approaches towards investment decision in relation to better trade between risk and return?

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(Turn Over)

4. What are the different investment alternatives provided by different financial markets?
5. Why is stock market index important? What are the factors affecting construction of stock market index?
6. Discuss the objective of investment management. What is the need for industry analysis?
7. Define industry life cycle analysis. Discuss SWOT analysis for industries.

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