TYBAF

Marks : 75

Time : 2 ½ Hours

1. All question are compulsory.
2. Make suitable assumptions wherever necessary and state the assumptions made.
3. Answer to the same question must be written together.
4. Numbers to the right indicate marks

Q.1[A) Multiple choice questions (Any 8) **(08)**

1. An unsystematic risk is the one which can be eliminated but the market risk is the _____ risk.
   a) ineffective b) effective c) remaining d) aggregate

2. _____ measures how the returns of two risky assets move together.
   a) correlation b) standard deviation c) covariance d) both a & c

3. _____ reflects the systematic risk of a stock.
   a) Range b) Beta c) Standard deviation d) Co-variance

4. Study of company's financial statements is a part of _____ analysis.
   a) fundamental b) technical c) moral d) industry

5. Overpriced securities will have _____.
   a) zero alpha b) zero beta c) negative alpha d) negative beta

6. Which of the following best describes the need for portfolio revision?
   a) To maintain the initial asset allocation permanently
   b) To adapt to changing market conditions and financial goals
   c) To reduce transaction costs associated with trading
   d) To increase the complexity of investments

7. Which of the following is NOT a component of Economic Analysis?
   a) Meaning and Framework b) Measures of Economic Activity
   c) Industry Characteristics d) Economic Forecasting

8. How can ratio analysis be made more effective?
   a) By comparing ratios with industry benchmarks
   b) By ignoring financial trends
   c) By analysing only one ratio at a time
   d) By focusing only on past performance

9. Composite leverage considers the combined effect of:
   a) Business and market risks b) Operating and financial leverage
   c) Short-term and long-term investments d) Inflation and taxation policies

10. Which of the following is a core assumption of technical analysis?
    a) Stock prices follow a completely random pattern
    b) Market prices reflect all available information, making price movement unpredictable
    c) Historical price movements and patterns can indicate future price trends
    d) Company financials are the only factors affecting stock price

Q.1] B) State true of false (Any 7) **(07)**

1) Constant ratio plan is a technique used in active portfolio management strategy.
2) Returns can be negative.
3) As per CAPM, beta is a static figure.
4) Systematic risk is unavoidable.
5) Returns and risk are inversely proportional to each other.
6) Portfolio evaluation is essential for assessing the performance and effectiveness of an investment strategy.
7) Financial Statement Analysis is only useful for government organizations and not for private investors.
8) Financial risk arises due to the use of debt financing, which increases a company's fixed financial obligations.
9) Ratio analysis is useful only for large businesses and not for small enterprises.
10) The Random Walk Theory supports the idea that stock price movements are independent of past trends.

Q.2. (A) Jack Ltd. paid the following dividend per share and had following market price per share during the period 2019-2024. **(07)**

Year	Dividend per share (Rs.)	Market price per share (Rs.)
2019	3.34	101.50
2020	3.50	126.50
2021	3.10	151.50
2022	4.30	110.50
2023	4.50	181.50
2024	6.40	231.00

Calculate the annual rate of return for last 5 years.

Q.2. (B) Mr. Khan has the following portfolio of five shares:

Company	Beta	Investment (Rs.)
Tata Ltd.	0.55	80,000
Birla Ltd.	0.75	1,50,000
Wadia Ltd.	0.88	2,10,000
Adani Ltd.	1.65	3,60,000

The risk free rate is 6%. The market rate of return is 12%.

a) Determine the portfolio return using CAPM. **(05)**

b) Calculate the portfolio beta. **(03)**

OR

Q.2. (C) The following are the rate of returns from Security A & B during past different economic circumstances:

Economic conditions	Probabilities	Rate of return (%)	
		Security A	Security B
Recession	0.23	18	17
Stagnation	0.17	16	18
Normal	0.35	15	14
Boom	0.25	13	15

You are required to –

a) Find out the expected returns and the standard deviation for these two securities. **(05)**

b) Calculate co-efficient of covariance and co-efficient of correlation between security A & B. **(05)**

c) Suppose, an investor has Rs. 80,000 to invest. He invests Rs. 30,000 in security A and balance in security B, what will be the expected return and the standard deviation of the portfolio? **(05)**

Q.3. (A) The rates of return of security Reliance Ltd. And market portfolio for different economic conditions is given below:

Economic Condition	Probabilities	Return of Security Reliance Ltd. (%)	Return on market portfolio (%)
A	0.11	22	18
B	0.18	25	29
C	0.23	11	22
D	0.14	18	18
E	0.17	28	26
F	0.17	23	20

a) What is beta of security Reliance Ltd.? **(12)**

b) What is the characteristic line for security Reliance Ltd.? **(03)**

OR

Q.3. (B) Following is the Balance Sheet of Rakesh Ltd. as on 31-03-2024: (15)

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	2,00,000	Cash in Hand	4,000
6% Preference Share Capital	2,00,000	Cash at Bank	20,000
Profit & Loss A/c	40,000	Bills Receivable	60,000
General Reserve	3,00,000	Debtors	1,40,000
7% Debentures	80,000	Stock	1,20,000
8% Bank Loan	40,000	Furniture	60,000
Advance from customers	80,000	Machinery	2,00,000
Sundry Creditors	1,20,000	Land & Building	4,40,000
Outstanding Expenses	14,000	Goodwill	60,000
Unpaid Dividend	20,000	Preliminary Expenses	30,000
Provision for Tax	40,000		
	11,34,000		11,34,000

Calculate the following ratios:

a) Current Ratio,
b) Quick Ratio,
c) Stock to working capital Ratio,
d) Proprietary Ratio,
e) Capital Gearing Ratio.

Q.4. (A) Following are the details of three portfolio: (15)

Portfolio	Average Return (%)	Standard Deviation (%)	Beta
P	45	30	1.60
Q	35	18	1.35
R	48	25	1.40
Market Index	15	12	1.00

The risk-free rate is 8%. You are required to compare these portfolios on performance using the Sharpe's, Treynor's and Jensen's Measure and rank them.

OR

Q.4. (B) From the following information available for 3 companies, calculate the Earnings Before Interest and Tax, Earnings Per Share, Operating Leverage, Financial Leverage and Composite Leverage. **(15)**

Particulars	A Ltd.	B Ltd.	C Ltd.
Sales (in units)	10,000	50,000	30,000
Selling price per unit (Rs.)	30	40	50
Variable Cost per unit (Rs.)	20	30	40
Fixed Cost (Rs.)	30,000	40,000	50,000
Borrowed funds (Rs.)	1,00,000	2,50,000	3,50,000
Interest rate on borrowed funds	15%	10%	10%
Equity share Capital (of 100 each)	5,00,000	9,00,000	10,00,000

Tax rate is 40%.

Q.5. (A) Distinguish between Fundamental and Technical Analysis. **(07)**

Q.5. (B) Explain various solvency and liquidity ratios. **(08)**

OR

Q.5. (C) Write short notes on – (Answer any 3 out of 5) (5 Marks each) **(15)**

1) Investment v/s Speculation
2) Fama's decomposition of total returns.
3) Common myths about the Efficient Market Hypothesis.
4) Assumptions under Arbitrage Pricing Theory.
5) Valuation under CAPM.

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