

Name:

Enrolment No:



UNIVERSITY OF PETROLEUM & ENERGY STUDIES

End Semester Examination – December, 2021

Program: B.Com (Hons)

Semester: 5

Subject/Course: Investment Analysis and Portfolio Management

Max. Marks: 100

Course Code: FINC 3014

Duration: 3 Hours

Part A: Answer ALL questions

Question 1. Identify the statements below as True/False ($2 \times 5 = 10$) [CO1]

- a) Adverse selection is a problem created by asymmetric information after the transaction occurs.
- b) A speculator focuses more on returns than safety and seeks very large returns from the market quickly.
- c) Government of India Dated Securities are regular coupon paying debt instruments.
- d) A private placement is an issue of shares by a company privately to its existing shareholders as on a record date.
- e) A primary trend in the stock market represents the bull and bear phases in the market.

Question 2. Answer the following given below ($2 \times 5 = 10$ Marks) [CO2]

- a) The price of a dated Government of India bond maturing in 10 years increases. The corresponding yield to maturity should (*choose the right answer*):
 - i. Increase
 - ii. Decrease
 - iii. Remain same
 - iv. Data insufficient
- b) A 91-Days RBI T-Bill with 40 days remaining to maturity has a yield of 7.75%. If par value of T-bill is 100, the current price is (*Compute the answer and fill in the blank*)

- c) The price appreciation/depreciation of an asset divided by the beginning price represents return while the periodic income in relation to the beginning price represents returns. (*choose the right answer*)
- Capital, Current
 - Current, Capital
 - Current, Current
 - Capital, Capital
- d) In an order book, the market order to sell is matched with prices and market order to buy is matched with prices. (*choose the right answer*)
- Bid, Ask
 - Ask, Ask
 - Bid, Bid
 - Ask, Bid
- e) If RSI of a share is above 70, then the share is (*choose the right answer*)
- Overbought
 - Oversold
 - Either i or ii
 - Neither i nor ii

Part B: Answer ALL questions

Question 3. You are evaluating two securities for investment. Security X provides a return of 5%, -1%, 3%, -2%, and -4% in the last five years. Whereas, Security Y has provided a return of -5%, 6%, 4%, -1%, and 3%. Determine the best security for investment by comparing the Geometric Mean (GM) of returns of the two securities. (5 Marks) [CO 2]

Question 4. Appraise in your own words, the idea behind “Private Placement” of shares. (5 Marks) [CO 3]

Question 5. Appraise the role of “Secondary Market” such as stock exchanges for investors. (5 Marks) [CO 3]

Question 6. The prevailing Yield to Maturity (YTM) in the bond market is 6%. Co. ABX corporate bonds with 5 years left to maturity pays 7.8% coupon annually. The face value of the bond is ₹100. Determine the price of the bond. (5 Marks) [CO 2]

Part C: Answer ALL questions (Question 9 has internal choice)

Question 7. The Government intends to raise ₹5,000 crores from an issue of 91-days T-Bill to meet its short-term obligations. Bids are invited for the issue of the T-Bill in a competitive bidding process. The following bids are received: (10 Marks) [CO 3]

Bidders	Bid Price ₹	Bid Amount in ₹ Crores
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A	99.52	970
B	98.99	578
C	97.92	937
D	97.46	864
E	97.98	1026
F	99.19	1077
G	98.56	970
H	97.42	996
I	97.78	721
J	99.81	1405

You are required to determine the cut-off bid price and the amount received through:

- Uniform price bid
- Multiple price bid

Question 8. As a technical analyst, how can you analytically explain your client the following:
[CO 4]

- Dow theory (4 Marks)
- Breadth of the market (3 Marks)
- Market Trend (3 Marks)

Question 9. Answer any one of the following:

Question 9-A. You are considering two stocks in similar industries for investment. The following fundamental information is given to you: (10 Marks) [CO 4]

	Stock A	Stock B	Industry Average
Price	2346.73	1115.67	-
52-Weeks High	2389.64	1988.23	-
52-Weeks Low	1054.33	935.54	-
ROE	10.45%	10.13%	8.45%
P/E	76.55	21.25	44.3
P/B	8.24	4.35	6.68
EPS Growth	7.00%	6.33%	5.50%
Sales Revenue Growth	7.90%	7.12%	5.90%
PAT Growth	11.00%	9.97%	6.75%

Analyze stocks A and B based on the fundamentals in the table. Recommend the best stock as per your analysis and give reasons.

Or,

Please see next page for Question 9-B

Question 9-B. Analyze and Explain the outlined patterns (in red) in the following technical charts (Chart A and Chart B): (10 Marks)
[CO 4]

Chart A



Chart B



Part D: Answer ALL questions (Question 11 has internal choice)

Question 10. Your client Miss. P has asked you to evaluate her investment portfolio. The following information is furnished by Miss P: [CO 4]

Assets	Purchase Price	No. of Units	Held for (Period)	Current Price	Portfolio Weight
Large Cap Fund	₹ 135.70	120	6 Months	₹ 147.50	12%
Mid Cap Fund	₹ 250.00	150	1 year	₹ 435.80	44%
Small Cap Fund	₹ 112.00	80	8 Months	₹ 108.60	6%
Gold ETF	₹ 76.50	180	3 Month	₹ 88.25	11%
Debt Funds	₹ 255.25	135	1 Year	₹ 305.50	28%

- What is the annualized rate of return on each of Miss. P's investments? (8 Marks)
- Which investment has is the best investment for Miss. P? (2 Marks)
- What is the overall portfolio return of Miss. P in percentage per annum? (5 Marks)

Question 11. Answer any one of the following:

Question 11-A. As a financial analyst you are required to determine the yield to maturity (YTM) of a corporate bond that you are evaluating. The bond is currently available at ₹107.5 in the market and pays a coupon of 9.10% annually. The bond will mature in 6-years and has a face value of ₹100. You are considering two reference rates, 7% and 8% for your calculations. (15 Marks) [CO 4]

Or,

Question 11-B. You are evaluating two shares, P and Q for your investment client. The return on P and Q are 11% and 17.5% respectively. The standard deviation of returns of P and Q are 8% and 13.75% respectively. The return of P and Q have a correlation of -0.28. You have decided to invest 40% of the client's money in P and 60% in Q. [CO 4]

- Determine the return and standard deviation of the portfolio given the information. (7 Marks)
- Determine the optimal weights for the portfolio that will minimize the portfolio standard deviation and calculate the portfolio return for the optimal weight. (8 Marks)