

SARDAR PATEL UNIVERSITY

M. COM. (CBCS) SEMESTER - IV

Course Title : PORTFOLIO MANAGEMENT
 Course Code : PB04CCOM03
 Time : 2.00 to 5.00 PM
 Note : Figures to the right indicate full marks of each question

Date : March 31, 2018, Saturday
 Marks : 70
 Pages : 02

Q1 Clarify in detail following financial concepts:

- [1] Financial Assets
- [2] Financial Rates of Return
- [3] Financial Instruments

[18]

OR

Q1[a] Describe various types of financial markets.

(10)

Q1[b] "The financial system provides the intermediation between savers and investors and promotes faster economic developments." Comment with reference to functions of the financial markets.

(08)

Q2 Write a detailed note on ANY TWO of the following:

- [1] On-line Trading
- [2] Stock Exchanges in India
- [3] Role and Powers of SEBI
- [4] Various Securities and their characteristics

(17)

Q3[a] Discuss economic analysis and industry analysis with the suitable examples

(15)

Q3[b] R J Sheth has invested in XYZ Chemicals. The capitalization rate of the company is 15% and the current dividend is Rs. 2 per share. Calculate the value of the company's equity share;

(03)

(a) if the company is slowly sinking with an annual growth rate of -5% (negative 5%) in the dividend.

(b) if the company shows no growth but is able to maintain its dividend.

(c) if the company shows an average constant annual growth rate of 7%.

OR

Q3 1. The Honest Ltd's earnings and dividends have been growing at the rate of 12% per annum. This growth rate is expected to continue for 4 years. After that the growth rate would fall to 8% for the next 4 years. Beyond that the growth rate is expected to be 5% forever. If the last dividend was Rs. 1.50 and the investors' required rate of return on the stock of Honest Ltd is 14%, how much should be the market value per share of the co.'s equity stock?

(18)

2. Consider the following two investment alternatives:

	Preference Share	Debenture
Terms of Maturity	-----	7 years
Annual dividend/Interest	Rs. 12	Rs. 15
Required Rate of Return	15%	20%
Par Value	Rs. 100	Rs. 100

(a) Calculate the intrinsic values for the preference share and the debenture.

(b) Assume that the required rate of return on the preference share declines