

FINAL EXAMINATION

December 2014

F-P11(CMC)

Syllabus 2008

Capital Market Analysis & Corporate Laws

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Working notes should form part of the answer.

Wherever appropriate, suitable assumption(s) should be made and indicated in answer by the candidate.

Please: (i) Answer all bits of a question at one place.

(ii) Open a new page for answer to a new question.

(iii) Attempt the required number of questions only.

SECTION A (60 Marks)

(Capital Market Analysis)

Answer Question No. 1 (carrying 20 marks) which is compulsory and answer any two (carrying 20 marks each) from the remaining three questions in this section.

1. (a) In each of the cases given below, one out of four is correct. Indicate the correct answer (= 1 mark) and give workings/reasons briefly in support of your answer (= 1 mark): 2×7=14
- (i) MS. SUKANYA, a prospective investor has collected the following information pertaining to two securities A and B:

Particulars	Security A	Security B
Expected Return %	15	18
Standard deviation of Returns %	18	22
Beta	0.90	1.40

Variance of Returns on the market Index is $225 (\%)^2$. The correlation coefficient between the returns on securities A and B is 0.75. The Systematic Risk of a portfolio consisting of these two securities in equal proportions is

- (A) $24.63 (\%)^2$
(B) $125.78 (\%)^2$
(C) $297.56 (\%)^2$
(D) None of (A), (B) and (C)
- (ii) A deep discount Bond issued at ₹ 2,500 will be redeemed at ₹ 1,00,000 after 25 years. What will be the Post-tax yield for the investor, if Capital gain is taxed at 20% and indexation benefits of 6% annually is available?
- (A) 12.90%
(B) 14.30%
(C) 15.13%
(D) Insufficient Information

Please Turn Over

- (iii) The current market price of an equity share of THOMAS LTD. is ₹ 500. Within a period of 3 months, the maximum and minimum price of it is expected to be ₹ 600 and ₹ 300 respectively. What should be the value of a 3 months call option under "Risk Neutral" method at the strike rate of ₹ 550, if the risk free rate of interest be 8% p.a.? [Given $e^{-0.02} = 1.0202$]
- (A) ₹ 23.34
(B) ₹ 34.31
(C) ₹ 43.21
(D) None of the above
- (iv) MS. CHAITALI buys 10,000 shares of RUDSON LTD. at ₹ 50 and obtains a complete hedge of shorting 400 Nifties, at ₹ 2,200 each. She closes out her position at the closing price of the next day at which point the share of Rudson Ltd. has dropped 2% and the Nifty future has dropped 1.5%. What is the overall Profit/(Loss) of this set of transactions?
- (A) Profit ₹ 3,200
(B) Profit ₹ 2,200
(C) Loss ₹ 3,200
(D) Loss ₹ 2,000
- (v) MR. AVISHEK purchased 300 units of a MUTUAL FUND at a price of ₹ 25 per unit at the beginning of the year. He paid a front-end load of 5%. The expense ratio of the fund is 2%. The growth rate in fund's security is 15% during the year. What is the rate of Return of the fund if security sold at the end of the year?
- (A) 10.38%
(B) 12.38%
(C) 14.32%
(D) None of (A), (B) and (C)
- (vi) The stock of ANSHIKA LTD. (FV ₹ 10) quotes ₹ 500 on NSE and the 3 months Future price quotes at ₹ 510. The borrowing rate is given as 15% p.a. What would be the theoretical price of 3 months Anshika Ltd. Future if the expected annual dividend yield is 25% p.a. payable before expiry?
- (A) ₹ 540.50
(B) ₹ 516.25
(C) ₹ 510.50
(D) Insufficient data
- (vii) The Portfolio composition of MR. GOPAL is given below:

(Amount in ₹ lakh)

Equity	120
Cash/Cash equivalent	40
Total	160

The beta of Equity portion of the Portfolio is 0.85 and the Current Nifty futures is at 4261.5. The multiple attached to Nifty future is 100. If Mr. Gopal purchases 23 future contracts, his portfolio Beta will be

- (A) 1.05
- (B) 1.12
- (C) 1.20
- (D) 1.25

(b) Choose the most appropriate one from the stated options and write it down (only indicate A or B or C or D as you think correct): 1×6=6

- (i) A place where banks, FIs and NBFCs purvey short, medium and long term loans to corporate and individuals is known as
 - (A) Money Market
 - (B) Capital Market
 - (C) Forex Market
 - (D) Credit Market
- (ii) A negotiable money market instrument issued in dematerialised form or as a usance promissory note for funds deposited at a bank or other eligible financial institutions for a specified time period is known as
 - (A) Commercial Paper
 - (B) Certificate of Deposit
 - (C) Treasury Bills
 - (D) Term Money
- (iii) Which of the following type of order is used to limit the amount of losses or to protect the amount of capital gain useful to both investors and speculators?
 - (A) Limit Order
 - (B) Discretionary Order
 - (C) Stop-loss Order
 - (D) Market Order
- (iv) A portfolio with two stocks which are perfectly negatively correlated ensures
 - (A) High risk and High returns
 - (B) Low risk and High returns
 - (C) Zero risk without sacrificing returns
 - (D) Zero risk with reduced returns
- (v) The insurer of an importer of electrical goods receives claims in respect of faulty television. The insurer pays the claim and takeover the insured's right to claim from the manufacturer. To which insurance principle, this example is related
 - (A) Cause proximate
 - (B) Subrogation
 - (C) Indemnity
 - (D) Uberrima Fidae

