FINAL EXAMINATION

June 2015

F–P11(CMC)

Syllabus 2008

Capital Market Analysis and Corporate Laws

Time Allowed: 3 Hours   Full Marks: 100

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

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.

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

Working notes should form part of the answer.

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 SONTAI, a prospective investor provides the following information regarding a Portfolio Containing two stocks A and B:

Correlation Coefficient	γ_{AB}	0·75
Standard Deviation	σ_A σ_B	10 20
Portfolio Weights	W_A W_B	2/3 1/3

What is the standard Deviation of the Portfolio?

(A) 77·78
(B) 155·55
(C) 160·35
(D) None of the above

(ii) APSHARA LTD. issued right shares which increased the market value of the shares of the company by ₹ 180 Crore. The existing Base year average is ₹ 1,143·40 Crore. If the New Base year average is ₹ 1,212 Crore, the aggregate (old) market value of all the shares included in the Index before right issue made will be

(A) ₹ 3,000 Crore
(B) ₹ 1,284·72 Crore
(C) ₹ 1,206·60 Crore
(D) None of the above

(iii) A Convertible bond of ARISTO LTD. with a face value of ₹ 1,000 had been issued at ₹ 1,200 with Coupon rate of 10%. The Conversion rate is 20 shares per Bond. If the current market price of the Bond is ₹ 1,300 and that of stock is ₹ 55, what could be the premium over Conversion Value?

(A) 9·09%
(B) 18·18%
(C) 20·00%
(D) Insufficient Information

(iv) The NAV of each unit of TEMPLAN INDIA FUND, a closed-end fund at the beginning of the year was ₹ 14. By the year end its NAV equals ₹ 14·40. At the beginning of the year, each unit was selling at a 3% premium to NAV. By the end of the year each unit was selling at a 5% discount to NAV. The Fund paid year-end distributions of Income and Capital gains of ₹ 2·40 on each unit.

What would be the rate of return to the investor in the fund during the year?

(A) 10·826%
(B) 11·512%
(C) 11·962%
(D) 12·124%

(v) The Market Price of Stock of ANIRO LTD. is ₹ 105 and its ALPHA is–1·2%. The realised return on the stock is 15% P.A. and the Risk-free rate of return is 7% P.A. Market Risk Premium is 8% P.A.

What would be the required rate of return on the Stock of ANIRO LTD., if its Co-variance with the Market Portfolio declines by 50%?

(A) 14·136%
(B) 12·125%
(C) 11·60%
(D) None of the above

(vi) MS ANUSUA, an investor, has purchased a 3 months Call option on the equity share of ASHLEEN LTD. for ₹ 20 with exercise price of ₹ 400. It has a present market price per share of ₹ 350. At the end of 3 months MS ANUSUA, expected the share price to be in the following range of ₹ 350 to ₹ 450 with varying probability:

Expected Share Price	₹ 350	₹ 400	₹ 450
Probability	0·25	0·45	0·30

What will be the expected value of Call option price at maturity date? (Ignore time value of money).

(A) ₹ 40
(B) ₹ 30
(C) ₹ 15
(D) Insufficient Information