

FINAL EXAMINATION

December 2013

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.

- Please: (a) Answer all bits of a question at one place.
(b) Open a new page for answer to a new question.
(c) Attempt the required number of questions only.*

SECTION I (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 rest 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. NABANITA, an investor, has purchased a 3 months Call option on the equity share of SPARK LTD. for ₹ 15 with exercise price of ₹ 360. It has a present market price per share of ₹ 336. At the end of 3 months Ms. Nabanita expected the share price to be in the following range of ₹ 300 to ₹ 400 with varying probability:
- | | | | |
|----------------|-------|-------|-------|
| Expected price | ₹ 300 | ₹ 350 | ₹ 400 |
| Probability | 0.30 | 0.40 | 0.30 |
- What will be the expected value of Call option price at maturity date? (Ignore times value of money).
- A. ₹ 34
B. ₹ 25
C. ₹ 12
D. Insufficient information
- (ii) The Co-efficient of Correlation of the share price of ASILIN LTD. with the market and standard deviation for the share prices are 0.9 and 3% respectively. The standard deviation of the market price is 2.5%. What will be the required rate of return on the stock of ASILIN LTD. if the return on 182 days T-Bill is 6% and of the market portfolio is 12.50%?
- A. 15.50%
B. 13.02%
C. 9.20%
D. None of the above

Please Turn Over

- (iii) MR. AMRUT, an investor, can earn a return of 16 per cent by investing in equity shares on his own. Now he is considering a recently announced equity based Mutual Fund Scheme in which initial expenses are 5.50% and annual recurring expenses are 1.1%. How much should the Mutual Fund earn to provide Mr. Amrut, a return of 16 per cent?
- A. 18.03%
B. 17.45%
C. 15.43%
D. Insufficient Data
- (iv) ANKRIT LTD. has an excess cash of ₹ 9,00,000 which it wants in short-term marketable securities. The securities invested will have an annual yield of 10%. If the expenses relating to investment in securities is ₹ 15,000, what would be minimum period for the company to Breakeven its investment expenditure? (Ignore time value of money.)
- A. 5 months
B. 2 months
C. 1.5 months
D. None of the above
- (v) MAXWELL LTD. issued 8% 6 year bond in the market. The issue price is ₹ 80 and the redemption price is ₹ 110. For SURESH, an investor with marginal Income tax rate of ₹ 40% and Capital Gain tax rate of 15% (assuming not indexation), What is the post tax yield to maturity?
- A. 9.68%
B. 9.56%
C. 9.76%
D. None of (A), (B) (C)
- (vi) The Beta Co-efficient of Equity Stock of INDSUN LTD. is 1.5. The risk free rate of return is 12% and the required rate of is 16% on the market portfolio. If the dividend expected during the coming year is ₹ 2.50 and the growth rate of dividend and earnings is 8% at what price the stock of Indsun Ltd. can be sold (based on CAPM)?
- A. ₹ 25.00
B. ₹ 22.50
C. ₹ 18.43
D. Insufficient Data
- (vii) MS. CHAITALI, a prospective investor has collected the following information pertaining to two securities-1 and 2:

Securities	Return (%)	Variance (%) ²	Weight in the Portfolio
Security-1	16	484	0.5
Security-2	13	256	0.5

If the variance of the Portfolio is 132(%)², the Co-efficient of Correlation between the Securities will be

- A. - 0.68
B. - 0.60
C. - 0.31
D. None of (A), (B) (C)

