(FOR THE CANDIDATES ADMITTED DURING THE ACADEMIC YEAR 2024-25 ONLY)

SUBJECT CODE 24 PCO 416

REG.NO.

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI

END-OF-SEMESTER EXAMINATIONS : MAY– 2026

M.Com. **MAXIMUM MARKS: 75**

IV SEMESTER **TIME : 3 HOURS**

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS. **(K1)**

1. What is the primary objective of an investment?
   (a). Immediate consumption (b). Future capital appreciation and income
   (c). Social status (d).Risk elimination

2. Which economic indicator is primarily used to measure the total market value of all final goods and services produced within a country in a year?
   (a).Consumer Price Index (CPI) (b). Gross Domestic Product (GDP)
   (c). Index of Industrial Production (IIP) (d). Balance of Trade

3. According to Dow Theory, the "Primary Trend" typically represents a cycle lasting for:
   (a). One to three weeks (b). Less than a month
   (c). One year or more (d). Only daily Fluctuations.

4. Show the Markowitz Model (Modern Portfolio Theory) emphasizes the relationship between which two variables?
   (a). Price and Volume (b). Risk and Return
   (c). Dividend and Growth (d). Inflation and Interest

5. What is the primary meaning of a "Portfolio" in an investment context?
   (a). A single stock certificate (b). A collection of all investments held by an individual
   (c). A daily stock market report (d). A specific type of savings account.

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES **(K2)**

6. Define ‘Investment’
7. Describe the security analysis.
8. Explain the ‘Basic Technical Assumptions – ‘Dow Theory’
9. Briefly explain the ‘Investment Model - Markowitz Model’
10. Show the ‘Portfolio Management’

SECTION – B (5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. **(K3)**

11. a). Explain the “Nature and Scope of Investment”

    (OR)

    b). Compare the between ‘Speculation and Investment’

12. a). Apply Porter's Five Forces model to a specific, newly emerging industry to illustrate how competitive intensity influences profit potential.

    (OR)

    b). Illustrate how changes in a company's revenue growth projections would impact its intrinsic value using the Discounted Cash Flow (DCF) method.

13. a). Apply the Markowitz model principles to a two-asset portfolio scenario.

    (OR)

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ETHICAL PAPER

b). Construct a simple argument for why multifactor models might provide a more comprehensive explanation of asset returns than the single-factors CAPM, using specific economic factors as examples.

14. a). Apply the Single Index Model formula to calculate the expected return for a security, given its alpha, beta, the expected market return, and the risk-free rate.

(OR)

b). Illustrate how the Fama-French three-factor model might be used to explain the historical returns of a specific value stock (High Minus Low factor) compared to a growth stock.

15. a). Determine how a significant change in an investor's personal circumstances (e.g., job loss, receipt of a large inheritance) would apply to the "objectives" and "elements" phase of their existing portfolio management strategy.

(OR)

b). Calculate the tax implications of two different investment strategies (one involving high turnover, the other buy-and-hold) and apply the "Tax Situation" constraint to recommend the more efficient approach for an investor in a high tax bracket.

SECTION – C (5 X 8 = 40 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.(K4 (Or) K5)

16. a).Analysis the Features of an Ideal Investment Programme**.**

(OR)

b). Explain the difference between systematic risk (market risk, external factors impacting all companies) and unsystematic risk (company-specific risk).

17. a). Analyze how a persistent increase in the Consumer Price Index (CPI) might influence the profitability outlook for industries reliant on discretionary consumer spending.

(OR)

b). Differentiate between leading, lagging, and coincident economic indicators.

18. a). Analyze the impact of correlation coefficients between two assets on the overall portfolio risk and the potential for diversification benefits within the Markowitz framework.

(OR)

b). Evaluate the flexibility and potential robustness of multifactor models (like the Fama-French 3-factor model) compared to the single-factor CAPM in explaining the cross-section of stock returns. Justify which approach provides a more comprehensive understanding of risk premiums.

19. a). Distinguish between the efficient frontier and the Capital Market Line (CML) in the Markowitz model. What are the key assumptions that differentiate the investment opportunities presented by each, particularly concerning the existence of a risk-free asset?

(OR)

(b),Analyze the relationship between risk and required return as defined by the Security Market Line (SML) in the CAPM. Interpret the meaning of a stock's beta coefficient and how it determines the asset's required rate of return relative to the market return.

20. (a).Evaluate the necessity of a formal, written Investment Policy Statement (IPS) in the portfolio management process. Argue whether an experienced manager can effectively manage a portfolio based on verbal understanding alone, justifying your stance with potential legal or performance implications.

(OR)

b). Critique the "buy-and-hold" strategy based on the principles of active portfolio decision-making. Determine when the principle of continuous monitoring and rebalancing makes an active approach superior, and when the buy-and-hold approach might be more efficient (e.g., regarding transaction costs and taxes).

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