

Model Paper

M. Com. Part –II

Course Code: MC-610

Course Title: **Investment Analysis & Portfolio Management**

OBJECTIVE PART

Time Allowed : 30 Minutes

Marks :20

Note: This question No. 1 is compulsory and its all parts carry equal marks. Please attempt the questions on the same paper and return it to the Center Superintendent with in the time allowed.

Q. 1(A): Mark (✓) on correct answer from the following: 10 × 1 = 10

1. Which of the following is the ratio of share price to stockholder equity as measured on the balance sheet?

- a) Price to book value ratio
- b) Price to sales ratio
- c) Leverage ratio
- d) Debt coverage ratio

2 Which of the following trading systems is used by the Karachi Stock Exchange?:

- a) ISECTS
- b) LOTS
- c) KATS
- d) PETS

3. The S&P 500 Composite Stock Index is favored by most institutional investors and money managers. What does S&P stands for?

- a) Sophisticated and Poised
- b) Standard and Poor
- c) Stylish and Permanent
- d) Sojourn and Perennial

4 Which of the following depicts a bullish trend in stock market?

- a) Stock price drop below support level
- b) Stock price rises above support level
- c) Stock price drop below resistant level
- d) None of given options

5. Which one of the following is correct formula for calculating gross margin?

- a) Net Profit/Net Sales
- b) Gross Profit/Net Sales
- c) Net income/Net Sales
- d) Gross Profit/credit Sales

6. In which of the following accounts the trading charges are high?

- a) Savings account
- b) System account
- c) Personal account
- d) Cash account

7. Which one of the following is correct formula for calculating operating margin?

- a) Net Profit/Net Sales
- b) Net income/Net Sales
- c) Operating income/Net Sales
- d) Operating income/credit sales

8. _____ do not change the collective wealth of shareholders.

- a) Stock splits
- b) Bonus shares
- c) Right shares
- d) All of the following

9. Which of the following ratios are of more concern for the shareholders?

- a) Liquidity and leverage
- b) Profitability and activity

c) Profitability and leverage

d) Liquidity and profitability

10. Primary market refers to the market _____.

- a) That attempts to identify mispriced securities and arbitrage opportunities
- b) In which investors trade already issued securities.
- c) Where new issues of securities are offered.
- d) In which securities with custom-tailored characteristics are designed

Q. 1(B): Indicate whether following statements are True / False

10 × 1 =

10

- 1. Investments is the study of the process of committing funds to one or more assets
- 2. Risk is the possibility that the realized return will be different than the expected return
- 3. The examples of Marketable Financial assets are, "Savings accounts and bonds, certificates of deposit, money market deposit accounts"
- 4. Money market securities are those marketable debts with maturity greater than one year and ownership shares
- 5. Govt. securities always bear high level of risk.
- 6. Failure of a product line of a company is an example of Unavoidable risk
- 7. Debt is costly source of finance for a company
- 8. CAPM means the basic theory that creates link between risk and return in group of financial assets
- 9. Diversifiable or nonsystematic risks are those risks which are unique to individual companies
- 10. Security Market Line (SML) is the non-linear relationship between an asset's risk and its required rate of return

GOVERNMENT COLLEGE UNIVERSITY, FAISALABAD

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SUBJECTIVE PART

Time allowed: **02:30** Hours

Marks :80

Note: Attempt any four questions. All questions carry equal marks.

Question # 2

20

Marks

Calculate the expected return from the given portfolio of escort investment co.

Securities	# of share held	Market Price	Expected Return
Sitara Company	8,000	45	10%
Rafhan Maize Product	10,000	145	12%
PSO	23,000	90	7%
Noor Pharma	5,000	80	8%

Question # 3

20

Marks

Suppose you are going to purchase the shares of dell company what value you will assign each share on the bases of following facts.

Last year dividend: \$2, 10 % increase is expected in this dividend, risk free return is 8% and market rate of return 14%, while the stock beta is 1.3.

Question # 4

20

Marks

Define investment; also explain why peoples invest money (advantages of investment).

Question # 5

(4+8+8)

=

20

Marks

Define risk, also explain avoidable (Diversifiable) risk and Unavoidable (Non-diversifiable).

Question # 6

(10+10)

=

20

Marks

An investor invest the amount of \$500 millions in following securities

Company	Investment (Millions)	Beta
A	150	1.0
B	60	1.0
C	240	1.5
D	50	0.5

a) Calculate weighted average Beta?

b) What is expected rate return on this fund if risk free return is 7% and market risk premium is 5%.

Question # 7

20

Marks

Define and explain briefly Arbitrage Pricing Theory (APT).