

UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II – Semester VII)
Examination March /April 2010

FIN 2104-Security Analysis

One (01) Hour

Answer All Questions

1.
 - i. "Analyzing financial statements alone would not be sufficient to take proper stock investment decisions." Critically discuss the above statement. (10 Marks)
 - ii. Equity investment strategies generally divided into two major categories: active and passive.
 - a). Explain briefly what is meant by active investment strategies and passive investment strategies. (08 Marks)
 - b). List four active equity selection techniques and briefly explain one of them. (08 Marks)
 - c). If we assume that stock market are efficient, which investment strategy would you recommend to follow in equity investment? (04 Marks)
 - iii. Would you expect that analysts' recommendations on stocks make stock market more efficient? Why? (10 Marks)
- (Total: 40 Marks)**

2. i. Distinguish the difference between Investing and Speculating. Is it possible to incorporate investment and speculation within the same security? Briefly explain your answer. (16 Marks)
- ii. What is meant by Liquidity in relation to securities? State why is it so important to the efficient operation of security market? (09 Marks)
- iii. There are six lessons of market efficiency. List five of them. (05 Marks)
- (Total: 30 Marks)**

3. i. State three basic assumptions of the technical analysis. (03 Marks)
- ii. List five types of charts used in technical analysis and explain one of them. (08 Marks)
- iii. Explain the reversal and continuation patterns identified in the technical analysis. (08 Marks)
- iv. What are the moving average techniques used by technical analysts and which technique is most suitable in identify the trend earliest. (05 Marks)
- v. List four moving average strategies. (06 Marks)
- (Total: 30 Marks)**
