2018

COMMERCE

(Speciality)

Course : 404

(Security Analysis and Portfolio Management)

The figures in the margin indicate full marks for the questions

(New Course)

Full Marks : 80

Pass Marks : 24

Time : 3 hours

1. What do you mean by the following (answer in *1* sentence)? 1×8=8

(a) Time value of money

(b) Beta

(c) One advantage of Sharpe performance model

(d) Risk

(e) Expenditure

(f) Security market line

(g) Portfolio

(h) Diversification

2. Write short notes on the following (any *four*) : 4×4=16

(a) Unsystematic risk

(b) Traditional portfolio analysis

(c) Capital market line

(d) Jensen's performance model

(e) Efficient market hypothesis

(f) Valuation of equity shares

3. What do you mean by fundamental analysis and technical analysis? Bring out clearly the points of distinction between the two. 8+6=14

Or

Define the term 'investment'. Discuss the different avenues available to an investor for making investment. 4+10=14

4. Discuss the need and significance of diversification in a portfolio construction. 14

Or

Explain the Markowitz portfolio theory. What are the assumptions of Markowitz portfolio theory? 6+8=14

5. What are the basic assumptions of CAPM? Write down the difference between CAPM and APT model. 6+8=14

Or

GAIL Investment Company manages a portfolio consisting of 6 stocks with the following information :

Name of the scrip	*Market value* (₹)	*Beta*
Essar Steels Ltd.	4,00,000	1·20
TATA Steels Ltd.	3,00,000	1·24
SAIL Ltd.	3,00,000	0·90
Andhra Steels Ltd.	1,00,000	0·60
Mittal Steels Ltd.	2,00,000	0·75
Varun Steels Ltd.	2,00,000	0·80
	15,00,000	

The risk-free rate of interest is 6 percent and the market return is 13 percent.

Estimate the portfolio expected return and portfolio beta. 8+6=14

6. Explain the different methods of measurement of portfolio performance. 14

Or

The financial performance of the various mutual funds is provided below. The risk-free rate of interest is 6% :

Name of the scheme	*Return on portfolio*	*Standard deviation of the portfolio*	*Beta*
Birla Mutual Fund	23·45	0·3	0·27
TATA Mutual Fund	22·95	8·98	0·54
ICICI Mutual Fund	23·15	3·45	0·56

Rank the funds according to the Sharpe and Treynor Performance Index. 7+7=14

(Old Course)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

1. What do you mean by the following (answer in *1* sentence)? 1×8=8

(a) Time value of money

(b) Beta

(c) One advantage of Sharpe performance model

(d) Risk

(e) Investment

(f) Fixed securities

(g) Portfolio

(h) Concentration of securities

2. Write short notes on the following (any *four*) : 4×4=16

(a) Unsystematic risk

(b) Traditional portfolio analysis

(c) Capital asset

(d) CAP model

(e) Efficient market hypothesis

(f) Valuation of equity shares

3. "Investment is nothing but risk taking." Do you agree to the statement? Justify your answer with examples. 12

Or

Discuss the various steps involved in the process of an investment analysis. 12

4. What is diversification? Discuss the methods of diversification of securities. 11

Or

What do you understand by portfolio management? Explain its objectives. 4+7=11

5. What do you mean by capital market line and security market line? Distinguish between capital market line and security market line. 6+5=11

Or

Explain the Capital Asset Pricing Model (CAPM). Describe some limitations of CAPM. 5+6=11

6. Discuss Jensen's performance index model in detail. State the limitations of Jensen's model. 7+4=11

Or

Consider the following information on three mutual funds *P*, *Q* and *R* and the market index :

	Mean return	*SD*	*Beta*
P	15%	20%	0·90
Q	17%	24%	1·10
R	19%	27%	1·20
Market Index	16%	20%	1·00

The mean risk-free rate is 10%.

Calculate the Treynor's measure, Sharpe measure and Jensen measure for the three mutual funds. 11

7. What is future? What are its characteristics? Explain. 4+7=11

Or

What is option? Explain the different types of options. 4+7=11

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