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4 SEM TDC SAPM 4 (Sp) (N/O)

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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. Write on each of the following in 1 sentence :

1×8=8

- (a) Real Estate**
- (b) Treasury Bills**
- (c) Portfolio**
- (d) Beta**

- (e) Portfolio Revision
- (f) Market Timing
- (g) Diversification
- (h) Security Market Line

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

- (a) Fundamental Analysis
- (b) Mutual Funds
- (c) Factors Model
- (d) Valuation of Bond
- (e) Arbitrage Pricing Theory
- (f) Market Efficiency

3. (a) What do you mean by investment? What are the different alternatives of investment? What are the factors that you would consider before making any investment decisions? 4+4+6=14

Or

(b) What do you mean by risk? What are the different components of systematic risk? How can the unsystematic risk be managed? 4+4+6=14

4. (a) Discuss some of the disadvantages of Markowitz model. In what way this model is better than other models? Explain with examples. 4+10=14

Or

- (b) Discuss the effects of combining securities in portfolio. Why is diversification of securities preferred in portfolio construction? 6+8=14

5. (a) Explain and illustrate the concept of Capital Asset Pricing Model with the help of a suitable diagram. 14

Or

- (b) Company X has a beta of 1.45, the risk-free rate is 10% and the expected return on market portfolio is 16%. This company pays a dividend of ₹ 2 per share and the expected growth in dividend is 10% p.a.

(i) What is the stock's required rate of return according to CAPM?

(ii) What is the stock's market price assuming the required return?

10+4=14

6. (a) Discuss in detail Sharpe's and Treynor's measures of portfolio performance.

7+7=14

Or

- (b) Company *P* has a beta of 1.45, the risk-free rate is 10% and expected return on market portfolio is 16%. The company pays a dividend of ₹ 2 per share and expected growth in dividend is 10% p.a.

(i) What is the share's required rate of return according to CAPM?

(ii) What is the share's market price assuming the required return?

7+7=14

(Old Course)

Full Marks : 80
Pass Marks : 32

Time : 3 hours

1. Write on each of the following in 1 sentence :

1×8=8

- (a) Real Estate
- (b) Portfolio
- (c) Diversification
- (d) Security Market Line
- (e) Risk
- (f) Preferred Stock
- (g) Risk and Return Relationship
- (h) Convertible Security

2. Write short notes on any four of the following :

4×4=16

- (a) Capital Market Line
- (b) Public Provident Fund
- (c) Unsystematic Risk

- (d) Efficient Market Hypothesis
- (e) Call Option
- (f) Derivatives

3. (a) Define the term 'investment'. Discuss the different avenues available to investor for making investments. 4+8=12

Or

(b) What is fundamental analysis? How is fundamental analysis useful to a prospective investor? How is technical analysis different from fundamental analysis? 4+4+4=12

4. (a) Discuss the various steps involved in traditional approach to portfolio management. 11

Or

(b) Discuss in detail Markowitz model of portfolio construction.

5. (a) Discuss in detail the Capital Asset Pricing Model (CAPM). 11

Or

(b) Compare and contrast between Capital Market Line (CML) and Security Market Line (SML).

6. (a) Discuss in detail Jensen's differential return model. 11

Or

- (b) The following three portfolios provide the particulars given below :

Portfolio	Average Annual Return (%)	Standard Deviation	Correlation Coefficient
A	18	27	0.8
B	14	18	0.6
C	15	8	0.9
Market Index	13	12	—

Risk-free rate of interest is 9%.

Rank these portfolios using Sharpe's and Treynor's methods. 4+7=11

7. (a) What is option? Explain the different types of option. Briefly state its usefulness. 2+6+3=11

Or

- (b) What are the basic features of a future contract? Distinguish between Option and Future. 6+5=11

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