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(May)

COMMERCE

(Speciality)

Course : 404

(Security Analysis and Portfolio Management)

Full Marks : 80
Pass Marks : 32

Time : 3 hours

_The figures in the margin indicate full marks
for the questions_

1. State one difference between the following :

    1×8=8

    (a) Investment and Expenditure

    (b) Risk and Uncertainty

    (c) Concentration of securities and Diversification of securities

    (d) Markowitz model and CAP model

(e) Investor and Speculator

(f) Systematic risk and Unsystematic risk

(g) Treynor's index and Sharpe's index

(h) Call option and Put option

2. Write short notes on the following (any *four*) :

4×4=16

(a) Convertible securities

(b) Assumptions of Markowitz model

(c) Security market line

(d) Jensen's measures

(e) Risks of buying and selling options

3. (a) Discuss the various fundamental analyses required for any investment with examples.   11

Or

(b) Why is technical analysis important in portfolio development? Explain with examples.   11

4. (a) Discuss the effects of combining securities in portfolio. Why is diversification of securities preferred in portfolio construction?   5+6=11

Or

(b) Simron holds portfolio of two companies A and B with the following details :

	A	B
Security return	10	5
Security variance	0·0064	0·0016
Investment proportion	0·5	0·5
Correlation	0·5	

Under the Markowitz model, what are the portfolio return and portfolio risk?   11

5. (a) Explain the arbitrage pricing theory (APT) and its limitations.   7+4=11

Or

(b) Calculate the equilibrium rate of return for the following three securities :   11

Security	b_{i_1}	b_{i_2}
A	1·2	1
B	−0·5	0·75
C	0·75	1·30

6. (a) Rank the following portfolios on the basis of Sharpe's index and Treynor's index :   6+6=12

Portfolio	Return	Standard deviation	Risk-free rate	Beta
A	6·00	15·24	3·0	1·0
B	3·30	4·92	3·0	2·85

Or

(b) Explain the different methods of measurement of portfolio performance. 12

7. *(a)* What do you mean by option? What are the salient features of option? Explain.

4+7=11

Or

(b) What do you mean by futures? Discuss the unique characteristics of future trading. 4+7=11

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