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

**2018**

( May )

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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