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

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(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. Write on each of the following in one sentence : 1×8=8

   (a) Systematic risk

   (b) Real estate

   (c) Market risk

   (d) Diversification

(e) Efficient market hypothesis

(f) Treynor's index

(g) Capital market line

(h) Stock selection

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

$4 \times 4 = 16$

(a) Portfolio management

(b) Convertible securities

(c) Security market line

(d) Jensen's model

(e) Fixed securities

(f) Valuation of bond

3. (a) Define the term Investment. Discuss the investment process involved in a series of activities starting from the policy formulation.

$4 + 10 = 14$

Or

(b) What do you mean by unsystematic risk? What are its sources? How can it be managed? Detail out with examples.

$3 + 3 + 8 = 14$

4. (a) Write a detailed note on traditional portfolio analysis.

14

Or

(b) Simron hold portfolio of two companies P and Q with the following details :

	P	Q
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? 14

5. (a) Explain the arbitrage pricing theory (APT). What are its limitations? $9 + 5 = 14$

Or

(b) Discuss the limitations of factor models. In what way two-factor model is better than one-factor model? Justify your answer. $6 + 8 = 14$

6. (a) What are the differences between Sharpe's and Treynor's measures of portfolio performance? Explain with a suitable example. 14

(4)

Or

(b) Compare between Treynor's index and Sharpe's index for the following data and comment : 14

Portfolio	Return	SD	Riskless Rate	Beta
A	6·00	15·24	3·0	1·0
B	3·30	4·92	3·0	2·85

(Old Course)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

1. Write on each of the following in one sentence : 1×8=8

(a) Investment

(b) Redeemable debenture

(c) Diversification

(d) Portfolio analysis

(e) Combining securities

(f) Market risk

(g) Call option

(h) Efficient market hypothesis

(5)

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

(a) Fundamental analysis

(b) Markowitz model

(c) Risk of buying and selling options

(d) Future market

(e) Arbitrage pricing theory

(f) Effects of combining securities

3. (a) How would you differentiate Risk from Uncertainty? Do you think that all risks can be avoided? Justify your answer. 5+6=11

Or

(b) Distinguish between : 5½+5½=11

(i) Investment and Gambling

(ii) Investment and Speculation

4. (a) Discuss the uses of modern portfolio theory in other disciplines of finance. 12

(6)

Or

(b) Stock *x* and *y* have yielded the following returns for the past two years : 12

Year	Return	
	x	*y*
2016–17	12%	14%
2017–18	18%	12%

(i) What is the expected return on portfolio made up to 60% of *x* and 40% of *y* ?

(ii) Find out the standard deviation of each stock.

(iii) What is the covariance and co-efficient of correlation between *x* and *y* ?

(iv) What is the portfolio risk of a portfolio made up to 60% of *x* and 40% of *y* ?

5. (a) Discuss the assumption of CAPM model. Do you think that it is acceptable in Indian context? Justify your argument with examples. 11

(7)

Or

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

Security	bi_1	bi_2
A	1·2	1·0
B	−0·5	0·75
C	0·75	1·30

6. (a) Explain in brief Sharpe's and Treynor's performance evaluation models. 5½+5½=11

Or

(b) Discuss with examples why Jensen's alpha is better than other contemporary models of portfolio performance. 11

7. (a) Define 'option'. Explain the different types of options. Discuss the uses of options. 2+4+5=11

Or

(b) What is 'Future Contract'? Distinguish between future and forward contract. Explain the different types of margin in future contract. 2+4+5=11

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