Time : 2 ½ Hours

Marks : 75

1. All question are compulsory.
2. Make suitable assumptions wherever necessary and state the assumptions made.
3. Answer to the same question must be written together.
4. Numbers to the right indicate marks.

Q1) (A) Multiple Choices Question: (Any Eight) **(08)**

1. Financial markets can be classified into money markets and ______________ markets
   a) Securities b) Primary c) Secondary d) Capital
2. The objective of portfolio is to reduce __________ by diversification
   a) Return b) Risk c) Uncertainty d) Percentage
3. As per single index model beta is the slope of ______________
   a) The security market line b) The capital market line
   c) characteristic line d) The CAPM
4. Return on investment is determined by ____________
   a) Net Profit b) Capital employed c) Net worth d) Net profit and capital employed
5. The fundamental analysis is a method of finding out ____________
   a) Ratio b) Past value of shares c) Tips d) Future price of security
6. As per capital asset pricing model, beta is a measure of ____________ risk.
   a) Company specific b) Unsystematic c) Total d) Systematic
7. ______________ index is a ratio of return generated by the fund over and above risk-free rate of return, during a given period and systematic risk associated with it.
   a) Jensen b) Sharpe's c) Treynor's d) CAPM
8. ____________assists in the selection of the most efficient by analysing various possible portfolios of the given securities
   a) Markowitz model b) Interior decoration Model c) AA Model c) BB
9. ____________measures the dispersion of data from its expected value
   a) Beta b) Alpha c) CAPM d) Standard deviation
10. In ______________ stage, poor performers start winding up their businesses
    a) Slow growth b) Decline c) Rapid growth d) No growth

Q1. B. Answer whether the below statements are true or false (Any seven) **(07)**

1. Portfolio means a combination of financial assets and physical assets.
2. Investing in equity share is a tax saving investment.
3. Portfolio risk cannot be reduced with diversification.
4. The single index model is the complex and the most rarely used simplification.
5. Buying and selling of securities does not involve transaction cost such as commission and brokerage.
6. Price level and inflation affect the economy of the country.
7. Fundamental analysts believe that price move in short, medium and long- term trend.

8. The Elliott wave theory states that major moves take place in five successive steps.
9. Efficient market hypothesis assumes that there are a smaller number of buyers and sellers.
10. All security factors are determined by CML.

Q2) (A)From the following available information analyse the two portfolio performance.

Mutual Fund	Return (%)	Standard Deviation	Beta (β)
A	12%	15	0.80
B	16%	22	0.76
C	21%	37	1.15
D	13%	24	1.32

Risk Free rate of return is 10% and Face Value is Rs.100 each
Evaluate the performance of these mutual funds using Sharpe Ratio and Treynor's Ratio. Comment on the evaluation after ranking the funds. (10)

Q2) (B) Mr. Jitu purchased 100 shares of Tata Motors Ltd. @ Rs. 600 each on 1st January, 2017. He paid a brokerage of Rs. 500. He received dividends from the company in October 2017 of Rs. 500. He sold all his holdings in January 2018 @ Rs.670 each. He had to pay a brokerage of Rs. 875. Calculate the holding period return. (05)

OR

Q2) (C) What is the meaning of Portfolio Management? Explain the advantages of Portfolio Management. (10)

Q2) (D) Explain the types of investors (05)

Q3) (A) Following information is available about two stocks which are correctly valued as per CAPM –

Company	Expected returns (%)	Standard deviation (%)	Beta
A Ltd.	18	14	0.80
B Ltd.	25	20	1.30
COR_{AB} = 0.19			

a) What is the market portfolio expected rate of return and how much is the risk-free rate? (07)

b) If you invest 25% in A Ltd. and balance in B Ltd., what is your expected rate of return and portfolio standard deviation? (08)

OR

Q3) (B) The return of Shiva Ltd. and the market portfolio is given below –

Probability	Returns (%)	
	Shiva Ltd.	Market portfolio
0.30	30	– 10
0.40	20	20
0.30	00 (Zero)	30

You are required to calculate –

a) The expected returns of Shiva Ltd. and the market portfolio. (05)
b) The covariance between the market portfolio and Shiva Ltd. (05)
c) The Beta for Shiva Ltd. (05)

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Q4) (A) Following is the balance sheet of Arni Ltd. As on 31st March, 2017 (15)

Balance Sheet as on 31-03-2017

Liabilities	Amount	Assets	Amount
8 % Preference share Capital	56,000	Fixed Assets	3,38,000
Equity Share Capital	1,00,000	Investment	39,000
Reserve	1,04,000	Cash	13,000
Long term loan	1,82,000	Debtors	52,000
Creditors	44,200	Stock	78,000
Provision for Tax	33,800		
Total	5,20,000	Total	5,20,000

Income statement for the year ended 31-03-2017

Particular	Amount
Net Sales	3,90,000
Less : Cost of goods Sold	(3,35,400)
Gross Profit	54,600
Less: Operating Expenses	(22,750)
Operating Profit (EBIT)	31,850
Less: Interest	(9,100)
Net profit Before Tax	22,750

Additional information

1. Tax Rate = 30%
2. Face value of Equity share = Rs 10
3. Proposed Dividend = 5%
4. Market Price of Equity share = Rs 35 per share

Complete the income statement and calculate the following ratios: -

a) Interest Coverage ratio b) EPS c) Debt Equity ratio
d) P/E ratio e) Dividend pay-out ratio f) Gross Profit ratio
g) Current ratio h) Proprietary ratio i) Operating Profit Ratio

OR

Q4) (B) Discuss types of chart pattern in technical analysis (08)

Q4) (C) What are the phases of portfolio management (07)

Q5) (A) How is systematic risk and unsystematic risk of portfolio calculated as per single index model? (08)

Q5) (B) Explain various objectives of portfolio management. (07)

OR

Q5) (C) Short Notes (Any three). (15)

1. Fundamental Analysis
2. Japanese Candle stick chart
3. Forms of Market Efficiency
4. Financial Leverage.
5. Beta and its importance