

Duration: 2 ½ hours

Marks: 75

- NB: (1) All questions are compulsory having internal option.
(2) Figures to the right indicate marks allocated to each question.
(3) Simple calculator is allowed.

1. (A) Select the right option and rewrite the sentence. (Any 8) (08 Marks)

- i. Shares are offered by company before commencement of the business is known as _____.
 - a. Initial Public Offering (IPO)
 - b. Follow on Public Offer (FPO)
 - c. New Fund Offer (NFO)
 - d. Private Placement (PP)

- ii. _____ refers to the risk which emerges out of controlled and known variables that are industry or security specific.
 - a. unsystematic risk
 - b. beta
 - c. standard deviation
 - d. systematic risk

- iii. _____ measures the amount of systematic risk a security has relative to the whole market.
 - a. Beta
 - b. Range
 - c. Variance
 - d. Standard Deviation

- iv. _____ under - _____ portfolio manager has to assess the performance of portfolio over a period of time.
 - a. performance evaluation
 - b. portfolio revision
 - c. portfolio execution
 - d. portfolio diversification

- v. Treynor measure consider _____.
 - a. systematic risk and beta
 - b. unsystematic risk and beta
 - c. systematic risk
 - d. unsystematic risk

- vi. _____ is the last step in process of portfolio management.
 - a. portfolio evaluation
 - b. portfolio performance
 - c. investment objectives setting
 - d. selection of stocks

- vii. The ____ model is a model that describe the relationship between systematic risk and expected return for assets, particularly stocks.
- Capital Asset Pricing
 - Capital Market Line
 - Security Market Line
 - Arbitrage Pricing Theory
- viii. If an asset's expected return plots above the security market line, the asset is ____.
- under -priced
 - overpriced
 - fairly priced
 - under-priced with unique risk
- ix. Under ____ a portfolio manger monitor and review scripts according to market condition.
- portfolio revision
 - portfolio evaluation
 - portfolio execution
 - portfolio diversification
- x. ____ applies to debt investment.
- Interest rate risk.
 - currency risk
 - market risk
 - legal risk

1.(B) Give True or False: (Any 7)

(07 Marks)

- Market risk is the risk of investment declining in value of portfolio.
- Portfolio evaluation refers to the evaluation of the revision of the portfolio.
- According to Capital market line, the expected return of any efficient portfolio is a function of total risk.
- Credit risk is the risk of loss from reinvesting principal or income at a lower interest rate.
- The minimum maturity of Treasury bill is 28 days.
- Central and state government can issue Gilt-edge Securities.
- Security Market Line graphs define efficient portfolio.
- An aggressive common stock would have a beta equal to zero.
- An over price-priced stock will plot on below the security market line.
- Balance or hybrid scheme of mutual funds invest in both fixed income and equity.

2.(A) What are the factors influencing on selection of Investment Alternatives. Explain with examples.

(08 Marks)

(B) Explain the online share trading in detail with Merits. (07 Marks)

OR

2. You are a Portfolio Manager Consultant practicing as freelancer. Dr. Mann Desai approached you for his investment planning. His age is 62 years with investible funds of Rs. 5 Crores. He needs guidance in respect of following area. Explain in brief.

- i. What are the investment avenues available to him which will give a suitable return with maximum return?
- ii. What are the various types of risks? (15 Marks)

3. (A) Calculate Beta for Catch Ltd. (08 Marks)

Year	1	2	3	4	5
Security Return (%)	17	16	17	21	24
Market Return (%)	20	17	18	20	25

3. (B) The rate of Return of Stock Illa Ltd. and Picka Ltd. under different status of economy are given below:

Particulars	Boom	Normal	Recession
Probability	0.30	0.45	0.25
Return of Stock of Illa Ltd. (%)	35	50	80
Return of Stock of Picka Ltd. (%)	75	55	51

Calculate the expected return and standard deviation of return on both the stocks.

(07 Marks)

OR

3. Following is the information about shares of Max Ltd. and Well Ltd. in various economic conditions. Give answers for the questions given below.

Economic Condition	Probability	Expected price of Max Ltd. (Rs.)	Expected price of Well Ltd. (Rs.)
High Growth	0.3	140	150
Low Growth	0.4	110	100
Stagnation	0.2	120	120
Recession	0.1	100	110

- a. Which company has more risk to invest?
- b. Will your decision change if probabilities are 0.3, 0.2, 0.3, 0.2 respectively? (15 Marks)

4. (A) Differentiate between Fundamental Analysis and Technical Analysis. (8 Marks)

(B) What are Charts? Explain the types of Charts. (7 Marks)

OR

4. Following information is available relating to Rusha Ltd. And Krishna Ltd.

Particulars	Rusha Ltd. (Rs.)	Krishna Ltd. (Rs.)
Equity Share capital (Rs. 100 face value)	40,00,000	50,00,000
10 % Preference shares	16,00,000	20,00,000
Profit after tax	10,00,000	14,00,000
Proposed Dividend	7,00,000	8,00,000
Market Price per share	140 per share	156 per share

Calculate:

- Earning per share
- Price-Earnings Ratio
- Dividend Payout Ratio
- Return on Equity shares
- Dividend Yield Ratio

Also advise to the Investor, which is good for Investing.

(15 Shares)

5. (A) The information for three portfolios is given below:

Portfolio	Average Return on Portfolio (%)	Beta	Standard Deviation
X	13	0.8	0.40
Y	14	0.9	0.35
Z	16	1.2	0.25
Market Index	15	1.0	0.30

Compare these portfolios on performance using Sharpe and Treynor Measures. Risk free rate of return is 10%.

(8 Marks)

5. (B) The Expected return and Beta factor of three securities are as follows:

Securities	Expected Return (%)	Beta
Sagar Cement	18	1.6
Tata Motors	13	1.4
ITC	11	0.8

If the risk-free rate is 7% and market return are 12 %. Calculate returns for each security under CAPM. Advise the securities are undervalued or overvalued or at par.

(07 Marks)

OR

5. Write Short Notes on: (Any Three)

(15 Marks)

- SML and CML
- Asset Allocation
- Speculation and Gambling
- Dow Jones Theory
- Sensex & Nifty