Q.P. Code : 60579

Third Semester M.Com. (Finance) Degree Examination,
January/February 2020

(CBCS Scheme)

Commerce

Paper FB 3.5 – PORTFOLIO MANAGEMENT

Time : 3 Hours]

[Max. Marks : 70

SECTION – A

Answer any **SEVEN** questions. Each question carries **2** marks :   **(7 × 2 = 14)**

1. (a) Define systematic risk.

    (b) Define a corner portfolio.

    (c) What is in-the-money in a call option?

    (d) What is credit default swap?

    (e) What is strong form of market efficiency?

    (f) Distinguish covariance and correlation co-efficient.

    (g) What is uncovered option?

    (h) What is utility analysis?

    (i) What is an Efficient Portfolio?

    (j) What are balanced mutual funds?

SECTION – B

Answer any **FOUR** questions. Each question carries **5** marks :   **(4 × 5 = 20)**

2. Explain the investment process.

3. Determine the expected return and risk of the following securities :

Security A		Security B	
Probability	Return (%)	Probability	Return (%)
0.30	14	0.30	10
0.20	12	0.20	13
0.40	15	0.40	18
0.10	10	0.10	12

4. What is a Portfolio? Explain the benefits of including zero risk securities in the Portfolio.

5. Explain the impact of a positive co-variance on the risk of a Portfolio.

6. The following are the risk and return in respect of two security A and B. Determine the minimum risk Portfolio :

Security	Returns (%)	Standard deviation
A	15%	30%
B	12%	25%

7. XYZ Ltd. an investment company manages a stock fund consisting of 4 stocks with the market value and Beta :

Stock	Market value	Beta
A	2,00,000	1.16
B	1,00,000	1.20
C	1,50,000	0.80
D	50,000	0.50

Risk free rate of interest → 9%, Market return 15% what is portfolio expected return?

SECTION – C

Answer any **THREE** questions. Each carries **12** marks : **(3 × 12 = 36)**

8. The following details are given for X and Y companies stocks and BSE sensex for a period of 1 year. Calculate the systematic and unsystematic risk for the companies stocks. Also calculate if equal amount of money is allocated for the stocks. What would be the Portfolio risk?

Particulars	Stock X	Stock Y	Sensex
Average return	0.15	0.25	0.06
Variance of return (σ^2)	6.30	5.26	2.25
Beta	0.71	0.27	—
Correlation coefficient	—	0.424	—

9. What are the assumptions under CAPM and arbitrage theories?

10. What is Portfolio revisions? Explain the Portfolio revision techniques.

11. Write short note on :

(a) Semi-strong form of market efficiency

(b) Industry analysis

(c) Capital market line

12. Stocks X and Y display the following returns over the past 3 years :

Year	Return (%)	
	X	Y
2017	14	12
2018	16	18
2019	20	15

(a) What is the expected return on a Portfolio made up of 40% of X and 60% of Y?

(b) What is the Portfolio risk with the above proportions?

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