III Semester M.Com. Degree Examination, January 2020

(CBCS)

COMMERCE

Paper FB 3.5: PORTFOLIO MANAGEMENT

Time: 3 Hours Max. Marks: 70

SECTION – A

1. Answer **any seven** questions. **Each** question carries **two** marks. **(7X2=14)**

   a) Define Portfolio Management?

   b) What is Credit-Linked Note?

   c) Define LEAPS.

   d) What is the risk of an N-Security Portfolio?

   e) What are Leveraged Portfolios?

   f) What is Minimum Portfolio Risk?

   g) What is Security Market Line?

   h) Distinguish between Arbitrage & Hedging.

   i) What are Corner Portfolios?

   j) The Alpha of the Security is 3%. What does it mean?

SECTION – B

Answer **any four** questions. **Each** question carries **five** marks. **(4X5=20)**

2. Distinguish between Efficient Frontiers and Efficient Portfolios.

3. Mr. A has owned units from three different mutual funds namely X, Y and Z. The following particulars are available with him. He wants to dispose any one of the mutual funds for his personal expenditure. Which find should he dispose?

Funds	Excess Average Return	Beta
X	7.6	1.02
Y	11.1	0.19
Z	10.6	1.01
Market	6.8	1.00

4. Following data gives the Market Return of NSE and ABC Limited. Scrip's return for a particular period are as follows:

	I	II	III	IV	V	VI	VII	VIII	IX
ABC Limited	0.30	0.40	0.60	0.70	0.10	0.40	0.50	0.80	0.20
NSE	0.70	0.20	0.40	0.50	0.50	0.20	0.30	0.40	0.60

Find Beta and Alpha of ABC Limited.

5. State the Assumptions of CAPM Model? Distinguish between CML and SML.
6. Explain various Portfolio Revision Strategies?
7. Explain the nature of Risk-Return Indifference Curve.

SECTION – C

Answer **any three** questions. **Each** question carries **twelve** marks. **(12X3=36)**

8. Assume that a group of securities has the following characteristics. a) the standard deviation of each security is equal to σ_A and b) covariance of returns σ_{AB} is equal for each pair of securities in the group. What is the portfolio variance for a portfolio containing four securities which are equally weighted? State the relationship between Covariance & Correlation?
9. Describe the three forms of Efficient Market Hypothesis in detail.
10. Explain Sharpe Index Model. How does it differ from Harry Markowitz Model?
11. Stocks X & Y have yielded the following returns for the past two years.

Year	Returns (%)	
	X	Y
2015	14	18
2016	16	20

a. What is the expected return on portfolio made up of 50% of X and 50% of Y?
b. Compute the standard deviation of each stock.
c. What is coefficient of correlation between X & Y?
d. What is the portfolio risk with the above proportion?

12. Mr. Arun intends to invest Rs. 50 lakhs in stock market. The T. Bill rate is 7% and the market return variance is 18%. The following table gives you the details regarding the Expected Return, Beta and the Residual Variances of the Securities. What is the Optimum Portfolio?

Security Returns (%)	Returns	Beta	Residual Variance
P	15	1.00	35
Q	17	1.30	12
R	10	2.10	24
S	7	0.70	16

****