LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **CORPORATE SEC.**

SIXTH SEMESTER – **APRIL 2013**

BC 6602 - PORTFOLIO MANAGEMENT

Date:27/04/2013 Dept. No. Max. : 100 Marks
Time:1:00 - 4:00

PART – A

ANSWER ALL QUESTIONS: (10x2=20 marks)

1. What is portfolio management?
2. What is meant by Investment?
3. What is Risk?
4. What is Beta factor?
5. Define Bond.
6. Define efficient portfolio.
7. An investor with risk aversion Co-efficient A=3 desire utility level (U) of 5 per cent. If the standard deviation of returns for a portfolio is 10 per cent, what is the required rate of return?
8. Suppose the required rate of return on a portfolio with beta of 1.2 is 18 percent and the risk-free rate is 6 percent According to the CAPM- What is the expected rate of a zero beta security?
9. A firm has issued a 10 percent coupon interest rate,10-year bond with Rs.1000 per value that pays interest annually, Complete the value of the bond.
10. The expected return on a market portfolio is 8% and the risk premium is 5%. Find out the expected return on the portfolio if its historical beta is 0.85 or its expected beta is 1.05.

PART – B

ANSWER ANY FIVE QUESTIONS: (5x8=40 marks)

11. What are the characteristics of a good investment?
12. How the return of an investment be measured?
13. Differentiate between the Sharpe’s ratio and Treynor’s ratio.
14. What are different measures for evaluation of performance of a portfolio?
15. Write a note on systematic risk.
16. The bonds of the premier company Ltd are currently selling for Rs.10800. Assuming (i) Coupon rate of interest, 10% (ii) par value Rs.10,000 (iii) year to Maturity 10 years and (iv) annual interest payment, compute the YTM.

17. The per share dividend of premier instruments Ltd (PIL) remains constant indefinitely at Rs.10. Assuming a required rate of return of 16% .Compute the value of the PIL's share.

18. A note (secured premium note) is available for Rs.1400. It offers, including one immediate payment,10 annual payments of Rs.210. Compute the rate of return(yield) on the note.

PART – C

ANSWER ANY TWO OF THE FOLLOWING: (2x20=40 marks)

19. How the risk-free investments can be combined with risky investments? How does this process affect the risk?

20. Explain the CAPM, How does it help in estimating the expected return of a security?

21. In a portfolio of the Company, Rs.2,00,000 have been invested in asset X ,which has an expected return of 8.5%,Rs.2,80,000 in asset Y, which has an expected return of 10.2% and Rs.3,20,000 in asset Z which has an expected return of 12%. What is expected return for the portfolio?

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