



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP

SIXTH SEMESTER – APRIL 2017

BC 6602- PORTFOLIO MANAGEMENT

Date: 20-04-2017
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

SECTION- A

ANSWER ALL QUESTIONS

(10x2=20 MARKS)

1. Define the term Investment.
2. What do you mean by portfolio management?
3. Write short notes on risk – return trade off.
4. Mr. A has a portfolio of five securities whose expected return and amount invested are as follows: find out the expected return of the portfolio

Particulars	I	II	III	IV	V
Amount	Rs 1,50,000	Rs 2,50,000	Rs 3,00,000	Rs 1,00,000	Rs 2,00,000
Expected Return	12%	9%	15%	18%	14%

5. Differentiate any two between Security Market Line and Capital Market Line.
6. Following information is available in respect of the market portfolio.
Expected return, $R_M = 18\%$
Risk- free rate, $I_{RF} = 6\%$
Standard deviation = 30%
Find out the slope of the capital market line (CML).
7. An Rs 5,000 bond with a 10% coupon rate matures in 8 years and currently sells at 97%. Is this bond a desirable investment for an investor whose required rate of return is 11%.
8. Write a short note on 'Treyner's technique'.
9. How is a fundamental analysis useful to a prospective investor?
10. Assume that a bond will pay Rs.80 Interest annually into perpetuity. What would be its value if the current yield were 8%?

SECTION -B

ANSWER ANY FOUR QUESTIONS

(4x10=40 MARKS)

11. Briefly explain the different kinds of investment outlets available to an investor.
12. In a portfolio of the company, RS.20000 have been invested in asset X which has an expected return of 8.5%, Rs2,80,000 in assets Y which has an expected return of 10.2% and Rs3,20,000 in asset Z which has an expected return of 12% what is expected return for the portfolio?

13. Following information is available in respect of security S and the market portfolio M:

Probabilities		Returns Y		
S	M			
0.3		10	11	
	0.3		16	20
0.3		32	19	

Find out the beta of the security.

14. What are the assumptions of CAPM? Explain the limitation of this model.

15. Nandita purchases a bond for Rs.800 with a coupon payment of Rs.150 p.a. she sold the bond for Rs.1050 after one year. what is holding period returns? Also calculate the holding period return if the bond is sold for Rs.750.

16. Write short note on:

A} Zero-interest fully convertible bonds

B} Bonds indenture

C} Basic characteristic of bonds

D} Deep discount bonds.

17. What do you mean by fundamental analysis? State the rationale, Procedure and limitations of this analysis.

SECTION – C

ANSWER ANY TWO QUESTIONS

(2x20=40 MARKS)

18. State investment decision process. What factors should an investor consider while making investment decisions?

19. What is an efficient portfolio in the context of HM Model? Explain the role of investor's preference in identifying optimal portfolio.

20. What factors are considered while doing an industry and company analysis?

21. The returns on two securities under four possible states of nature are given below.

State of nature	Probability	Return on Security A {%	Return on Security B {%
1	0.2	7	4
2	0.4	9	10
3	0.3	14	18
4	0.1	18	28

Find:

{I} Expected returns on security A and B

{II} Risk (in terms of standard deviation) on security A and B.

{III} Co variance between the return on security A and B.

{IV} Coefficient of correlation between the returns of security A and B.
