LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – NOVEMBER 2009

CO 3802 - SECURITY ANALYSIS & PORTFOLIO MANAGEMENT

Date & Time: 03/11/2009 / 9:00 - 12:00 Dept. No.   Max. : 100 Marks

SECTION – A

Answer ALL questions   **(10 x 2 = 20)**

1. What is Investment?

2. What are the advantages of investing in gold?

3. What do you understand by Risk-Return Relationship?

4. Give any two reasons for the popularity of Random Walk Theory?

5. In what way investment in financial asset is superior to investment in physical asset?

6. Highlight the important feature of Serial correlation test.

7. What is Random Walk Theory?

8. What do you mean by default risk?

9. Based on the data given, decide whether the portfolio has outperformed the market in terms of Treynor evaluation measure.
   Portfolio average return = 35; Market average return = 28
   Beta of Portfolio = 1.2; Beta of market = 1
   Risk free return = 6%

10. A company's β is 1.40. The market return is 14%. The risk free rate is 10%.
   (i) What is the expected return based on CAPM
   (ii) If the risk premium goes up by 2.5% points, what would be the revised expected return on this stock?

SECTION – B

Answer any FIVE questions   **(5 x 8 = 40)**

11. What are the criticisms posed against the efficient market hypothesis?

12. Discuss the key macroeconomic variables and their impact on stock market.

13. Explain how beta is a useful measure in avoiding the risk in portfolio management?

14. Explain traditional approach of portfolio construction.

15. Write a note on Chart used in Technical Analysis.

16. How Firm specific analysis play an important role in Fundamental Analysis?

17. L Ltd. and M Ltd. has the following risk and return estimates – ρ

RL	RM	σL	σM	Cor.coeff. rLM
20%	22%	18%	15%	-1

Calculate the proportion of investment in L Ltd. and M Ltd. to minimize the risk of portfolio.

18. Securities A and B have standard deviations of 5% and 8%
   Mr. K is planning to invest 30$ of his funds in A and the balance in B
   Ascertain portfolio risk, if correlation is – (a) 1; (b) 0.50; (c) 0; (d) -0.50; (e) -1

SECTION – C

Answer any TWO questions   **(2 x 20 = 40)**

19. Bring out the unique features of Weak form, Semi strong form and Strong form of Efficient
   Market theory.

20. Give an elaborate account of various Investment alternatives available to the investors.

21. Write note on: (5 x 4)
   a) Markowitz Theory
   b) Investment Attributes
   c) Systematic risk
   d) Portfolio Revision
   e) Speculation

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