LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – **ECONOMICS**

FOURTH SEMESTER – APRIL 2017

EC 4813 - PORTFOLIO THEORY AND INVESTMENT ANALYSIS

Date: 25-04-2017   Dept. No.   Max. : 100 Marks
Time: 09:00-12:00

PART A

Answer any FIVE Questions from the following: [5x4=20marks]

1. State the dimensions of Portfolio Management process.

2. Brief the process of Two-fund Separation theorem.

3. Write a note on SEBI regulations.

4. State the equilibrium equation of Sharpe's Index model.

5. List out the various types of Mutual Funds.

6. State the superiority of Futures contract over Forward contract.

7. Write a note on Hedge funds.

PART B

Answer any FOUR Questions from the following: [4x10=40marks]

8. Discuss the superiority of the Arbitrage Pricing model over the fundamental models.

9. Comment on the performance of Money market in India.

10. The following table gives an analyst's expected return on two stocks for particular returns:

Market return	Stock A	Stock B
6%	2%	8%
20%	30%	16%

   a. What are the betas of the two stocks?

   b. What is the expected return on each stock if the market return is equally likely to be 6% or 20%?

   c. If the risk-free rate is 7% and the market return is equally likely to be 6% or 20%, what is SML?

   d. What are the alphas for the two stocks?

11. Examine the various performance measures of measuring risk.

12. Comment on the Stock Exchange Trading in India.

13. Briefly explain the various Bond evaluation techniques.

14. A) State the Two stage model of Equity evaluation (5 marks)

   B) The current dividend on an equity share of Pioneer technology is Rs. 3.00. Pioneer is expected to enjoy an above – normal growth rateof 40 percent for 5 years. There- after, the growth rate will fall and stabilize at 12 percent. Equity investors require a return of 15 percent from Pioneer's stock. What is the intrinsic value of the equity share of Pioneer? (5 marks)

PART C

Answer any TWO Questions from the following: [2x20=40marks]

15. Elaborate on the various investment alternatives feasible to investors in a financial economy.

16. Elucidate the Capital Asset Pricing Model. Support your answer with suitable diagrams.

17. 'Market Efficiency Hypothesis implies that stock prices reflect all available information' - Comment.

18. A) Discuss the superiority of Black- Scholes Model over Binomial Model applied in Option

    pricing. [10 marks]

        B)   Consider the following data:

          S =Rs.100,   E=Rs.105,   u=1.5,   d=0.8,   r=12%

        What is the value of a single period call option? [10 marks]

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