LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – **ECONOMICS**

SIXTH SEMESTER – **APRIL 2019**

16UEC6MC01– PORTFOLIO MANAGEMENT

Date: 01-04-2019 Dept. No. Max. : 100 Marks
Time: 09:00-12:00

PART: A

Answer any FIVE questions in about 75 words each: (5x4=20 Marks)

1. Define Risk. State the sources of risk.
2. You are thinking of acquiring some shares of ABC ltd. The rates of return possible are as follows: Compute the expected return E(R) on the investment.

Possible rate of return	Probability
0.05	0.20
0.10	0.40
0.08	0.10
0.11	0.30

3. What do you mean by Beta?
4. Write a note on efficient market.
5. Explain the features of Index options.
6. What is meant by Hedging?
7. Write short note on Interest rate swap.

PART: B

Answer any FOUR questions in about 250 words each: (4x10=40 Marks)

8. Following are the price and other details of three stocks for the year 2011. Calculate the total return as well as the return relative for the three stocks.

Stock	Beginning Price	Dividend paid	Ending Price
A	30	3.40	34
B	72	4.70	69
C	140	4.80	146

9. Explain William Sharpe's single Index model.
10. Discuss the factors that influence market premium.

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

Market Return	Aggressive stock	Defensive stock
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 the SML

(d) What are the alphas of two stocks?

12. Evaluate the empirical evidence on semi - strong form efficient market hypothesis.

13. Explain the Binomial Option pricing model.

14. Explain Cootners' price value Interaction model.

PART: C

Answer any TWO questions in about 1200 words each: (2x20=40 Marks)

15. Elucidate the Markowitz model of Portfolio Management.

16. Examine the relationship between Capital market line and Security market line.

17. Elaborate the various investment alternatives accessible to the investors in a financial system.

18. Illustrate the Black Scholes option pricing model by pointing out its assumptions.

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