



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP

SIXTH SEMESTER – NOVEMBER 2016

BC 6602 – PORTFOLIO MANAGEMENT

Date: 14-11-2016

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

PART A (10*2=20)

ANSWER ALL THE QUESTIONS

1. Define the term “Investment”.
2. What is speculation?
3. What is meant by systematic risk?
4. The purchase price of a share is Rs.100; dividend Rs.5; Required rate of return 50% and the holding period 1 year, Calculate the value of the Stock at the end of one year.
5. Find out the expected return of the following securities whose beta factors, are given:

| | Securities | | | | |
|--------------|------------|------|------|------|------|
| | I | II | III | IV | V |
| Beta factors | 1.00 | 1.25 | 1.70 | 1.50 | 1.60 |

Prevailing rate of interest on Government securities is 7% and rate of return on market index is 10%.

6. What is CAPM?
7. What is portfolio management?
8. What is Jensen alpha?
9. What is meant by fundamental analysis?
10. What are the parameters of industry analysis?

PART B (4*10=40)

ANSWER ANY FOUR QUESTIONS

11. Explain the investment decision process. What factors should an investor consider while making investment decisions?
12. What do you mean by risk-return trade off? Why have different investments varying degree of expected return?
13. Mr.A has a portfolio of five securities whose expected returns and amount invested are given. Find out expected return of the portfolio:

| | | | | | |
|-----------------|----------|----------|----------|----------|----------|
| | I | II | III | IV | V |
| Amount (Rs.) | 1,50,000 | 2,50,000 | 3,00,000 | 1,00,000 | 2,00,000 |
| Expected return | 12% | 9% | 15% | 18% | 14% |

14. Examine critically the HM Model giving its assumptions.
15. Explain the factors that are considered while doing an industry analysis?
16. The current market price of a share is Rs.65 and it is expected to be Rs.90 after 1Year, Dividend expected after 1 year from now is Rs.2.90. Find out the equity capitalization rate.
17. What is Convertible Bond? Why do investors prefer convertible bonds over a non-convertible bond?

PART C (2*20=40)

ANSWER ANY TWO QUESTIONS

18. Briefly explain the different kinds of investments outlets available to an investor.
19. The following two securities have been shortlisted by investor:

| Return on security | | |
|--------------------|----|-------------|
| X | Y | Probability |
| 10% | 5% | 0.4 |
| 5% | 8% | 0.4 |
| -5% | 2% | 0.2 |

Which security should be selected and why?

20. Examine the relationship between time to maturity and bond valuation with the help of a diagram.
21. What are the steps followed in fundamental analysis for analyzing securities of a company.

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