LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.Com.** DEGREE EXAMINATION - **COMMERCE**

THIRD SEMESTER – NOVEMBER 2010

# CO 3802 - SECURITY ANALYSIS & PORTFOLIO MANAGEMENT

Date : 29-10-10 Dept. No. Max. : 100 Marks

Time : 9:00 - 12:00

SECTION – A Answer ALL questions ( 10 x 2 = 20 )

1. What do you mean by ‘return’?
2. What are the two basic investment avenues?
3. What are the precautions to be taken while investing in real estate?
4. What is diversification of portfolio?
5. What are the limitations of CAPM?
6. Highlight the important points of Markowitz model.
7. What is stock split? How the stock price is affected by it?
8. What are tools used for judging undervaluation or overvaluation of investment?
9. Security A and B have standard deviations of 5% and 8%

Mr.X is planning to invest 30% of his funds in security A and the balance in Security B.

Ascertain portfolio risk, if correlation is 1.

1. A company’s return was 20% and that of the stock market as a whole was 15%. The standard deviation of the portfolio was 10%, while that of the market is 5%. The risk free rate is 6%. What is the Sharpe measure of the company’s portfolio? Comment on its performance.

SECTION – B Answer any five questions ( 5 x 8 = 40 )

1. Who is an investor? Bring out his characteristics.
2. Highlight the features of Firm specific analysis under Fundamental factors.
3. What are the obstacles faced by an investment analyst?
4. On what basis efficient market theory is criticized?
5. What are the points to be considered in Portfolio evaluation?
6. Explain the constraints of the investors in formulating their investment objectives.
7. Mr.KK invested Rs.10,000 each in shares of X Ltd. and Y Ltd. which carry a risk of 10% and 12% respectively. He had computed the risk of his portfolio as 11% being the weighted average risk. Subsequently on learning about correlation he desires to re-compute the risk of his portfolio. He finds that the correlation co-efficient between X Ltd. and Y Ltd. is 0.25. what is the risk of his portfolio?
8. From the following information, calculate the expected rate of return of a portfolio:

Risk free rate of interest 12%; Expected return of market portfolio 18%; standard deviation of an asset 2.8%; market standard deviation 2.3%; correlation co-efficient of portfolio with market 0.8%.

SECTION – C Answer any TWO questions ( 2 x 20 = 40 )

1. How the risk is classified? Explain in brief.
2. Bring out the unique features of Technical analysis highlighting its various forms.
3. What do you mean by portfolio construction and revision? Identify and discuss the factors contributing to portfolio management.

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