

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

SIXTH SEMESTER – APRIL 2010

EC 6600 - PORTFOLIO MANAGEMENT

Date & Time: 15/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

PART – A

Answer any FIVE in about 75 words each

(5 x 4 = 20 marks)

1. Explain Portfolio Management process.
2. State the types of Investment.
3. What are the assumptions of CAPM?
4. Write the expected return, variance and standard deviation of a two – security portfolio consisting of stocks A and B.
5. What is called swap valuation?
6. Explain the concept of forward pricing.
7. Define the term money market hedge.

PART – B

Answer any FOUR in about 250 words each

(4 x 10 = 40 marks)

8. Explain the role of Portfolio Management.
9. Describe Markowitz theory.
10. Explain the Arbitrage pricing model.
11. Examine Cootners price value interaction model.
12. What are the different types of derivative assets?
13. Write a note on Put – Call Parity Theorem.
14. Enumerate the currency swaps.

PART – C

Answer any TWO in about 900 words each

(2 x 20 = 40 marks)

15. Analyze the various methods of measuring risk.
16. Describe the capital asset pricing model.
17. Discuss in detail efficient market theory.
18. a) Explain the Black – Scholes option pricing model.
b) The following data set is available for Linux Ltd, a company that is not expected to pay dividend for a year: $S_0 = \text{Rs.}120$, $E = \text{Rs.}110$, $r = 0.14$, $t = 1.0$, $\sigma = 0.4$.
What is the value of the call option as per the Black – Scholes model?

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