LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SIXTH SEMESTER – NOVEMBER 2012

# EC 6600 - PORTFOLIO MANAGEMENT

Date : 05/11/2012 Dept. No. Max. : 100 Marks

Time : 1:00 - 4:00

**PART - A**

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

1. Discuss briefly the wide array of investment avenues.

2. What are the key differences between an investor and a speculator?

3. How many inputs are needed for a portfolio analysis involving 75 securities if

covariances are computed using (a) Markowitz approach and (b) the Sharpe index model?

4. What is Diversification?

5. Explain Put Call Parity relationship.

6. Discuss the strategies of Hedging.

7. Explain the currency swaps.

**PART-B**

**Answer any FOUR questions in about 300 words each: (4x10=40)**

8. Discuss briefly the key steps involved in the Portfolio management process.

9. Explain the Types of Risk.

10. Briefly explain the APT Model.

11. Bring out the Factors that determine the Option price.

12. Analyse Cootners price value interaction model.

13. A portfolio consisting of five securities is listed below. Calculate each stock’s expected

return. Then using these individual security’s expected returns, compute the

portfolios expected returns.

|  |  |  |  |
| --- | --- | --- | --- |
| Stock | Initial investment value | Expected End of period investment value | Proportion of portfolios initial market value |
| A | 5000 | 7000 | 20.0% |
| B | 2500 | 4000 | 10.0 |
| C | 4000 | 5000 | 16.0 |
| D | 10000 | 12000 | 40.0 |
| E | 3500 | 5000 | 12.0 |

14. If the risk-free return is 10% and the expected return on BSE index is 18% ( and risk measured by

standard deviation is 5%), how would you construct an efficient portfolio to produce a 16% expected

return and what would be its risk?

**PART-C**

**Answer any TWO questions in about 900 words each: (2x20=40)**

15. Write a note on Single Index market theory.

16. Explain Markowitz Portfolio selection model.

17. Enumerate CAPM model.

18. Analyse the methods of managing foreign exchange risk.

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