LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SIXTH SEMESTER – **NOVEMBER 2013**

EC 6600 – PORTFOLIO MANAGEMENT

Date : 08/11/2013   Dept. No.   Max. : 100 Marks
Time : 1:00 - 4:00

PART- A

Answer any FIVE of the following in about 75 words each: **(5 x 4 =20)**

1. **Distinguish between Investment and Gambling.**
2. **Write a note on Risk and Return.**
3. **You are thinking of acquiring some shares of ABC Ltd. The ratesof return expectations are as follows:**

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

   Compute the expected return E(R) on the investment.

4. **What derives the market risk premium?**

5. **What is an efficient market?**

6. **Distinguish the three levels of market efficiency.**

7. **Write a note on Call option and Put option.**

PART- B

Answer any FOUR of the following in about 300 words each: **(4 x 10 =40)**

8. **Discuss the key steps involved in a Portfolio management process.**

9. **Bring out the key difference between an investor and speculator.**

10. **Enumerate the various types of risk.**

11. **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

12. Explain Sharpe single Index Model.

13. Evaluate the empirical evidence on strong form efficient market hypothesis.

14. A portfolio consisting five securities is listed below. Calculate each stock's expected return. Then using these individual security's expected returns, compute the portfolio's expected return.

Stock	Initial Investment Value	Expected End of period Investment value	Proportion of portfolio,s Initial market value
A	Rs 5000	Rs 7000	20.0%
B	2500	4000	10.0
C	4000	5000	16.0
D	10000	12000	40.0
E	3500	5000	12.0

PART- C

Answer any TWO of the following in about 900 words each: (2 x 20 =40)

15. Examine in detail the wide array of investment avenues.

16. Explain Markowitz Portfolio selection model.

17. Enumerate CAPM model.

18. Explain the Black-Scholes Model using a suitable illustrations.

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