STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015-16 and thereafter)
                                                                    SUBJECT CODE: 15CM/MC/PO65
B.Com.(A&F) DEGREE EXAMINATION SEPTEMBER 2020
ACCOUNTING & FINANCE
SIXTH SEMESTER

COURSE : MAJOR – CORE
PAPER   : PORTFOLIO MANAGEMENT
TIME   : 90 MINUTES   **MAX. MARKS: 50**

Section-A
Answer all the Questions   **(7X2=14)**

1. Define Portfolio Management.

2. Write short note on Sharpe's Portfolio Model.

3. Explain the Dow Theory with the help of diagram.

4. State the assumptions of Efficient Market Theory.

5. Kesavan has invested in AB Ltd. the capitalization rate of the company is 16% and the current dividend is Rs.2.5 per shar. Calculate the value of the company's equity share if the company has the annual decline rate of 5% in the dividend.

6. ABC Ltd. issues a 14%, 10-year bond with face value and maturity value of Rs.1,000. What is the value of the bond if the required rate of return is 16%?

7. The riskless securities are offering a return of 8%, while return of the market portfolio is 15%. The standard deviation of the market portfolio is 2%. An investor has constructed a portfolio which has standard deviation of 1.5% and a correlation with the market return of 0.85. find out the expected return of the investor.

Section-B
Answer any Two Questions   **(2X8=16)**

8. The following information is available in respect of the return from security X under different economic conditions:

Economic Condition	Return	probability
Good	20%	0.1
Average	16%	0.4
Bad	10%	0.3
Poor	3%	0.2

Find out the expected return of the security and the risk associated with that.

9. Selvi owns a portfolio comprising of four securities with the following characteristics:

Security	Beta	Standard Deviation Random Error Term	Projection
A	1.15	13	.40
B	0.95	11	.45
C	1.30	16	.30
D	1.10	14	.20

If the standard deviation of the market index is 25%, what is the total risk of Selvi portfolio?

10. Following information is available regarding four mutual funds:

Mutual Fund	Return, R	Risk, σ	Beta, β
A	13%	16	.90
B	17%	23	.86
C	23%	39	1.20
D	15%	25	1.38

Evaluate performance of these mutual funds using Sharpe Ratio and Treynor's Ratio.

Comment on the evaluation after ranking the fund, given that the risk-free rate is 9%.

Section-C
Answer any One Question   **(1 X20=20)**

11. The following data are available in respect of XYZ Ltd.

Total earnings of the company Rs.10,00,000

Number of shares outstanding 1,00,000

Price-Earning Ratio = 8

Calculate the market price of the shares under various rate of return, r, of 5%, 12.5% and 20% for different payout ratios of 0%, 40%, 80% and 100%.

12. The following are the annual return for shares of New Bite Ltd. And for the representative equity price index:

Year	New Bite Ltd (R_S) in %	Index (R_M) in %
1	1	-2
2	14	16
3	19	13
4	-8	-7
5	-12	-13
6	3	4
7	8	8
8	17	10
9	14	15
10	14	16

Find out the β for equity shares of New Bite Ltd. If the risk-free rate is 6% and the market rate of return is 12%, what would be expected return on equity shares of New Bite Ltd?

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