STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

(For candidates admitted during the academic year 2015-16 and thereafter)

COURSE CODE:15CM/MC/PO65

B.COM. (A&F) DEGREE EXAMINATION APRIL 2021

COMMERCE – SHIFT II

SIXTH SEMESTER

COURSE : MAJOR – CORE

PAPER : PORTFOLIO MANAGEMENT

TIME : 90 MINUTES **MAX. MARKS: 50**

SECTION – A

Answer all questions: **(7 x 2 = 14)**

1. Define Portfolio Management.
2. Explain the Dow Theory with the help of diagram.
3. Write short note on Sharpe's Portfolio Model.
4. State the assumptions of Efficient Market Theory.
5. S.J. Co had a dividend payout ratio of 60%, earning per share Rs.10. Its internal rate of return is 40% and the normal capitalization rate or cost of capital is 30%. What is the price of share?
6. 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 .85. find out the expected return of the investor.
7. 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%?

SECTION – B

Answer any Two Questions: **(2 x 8 = 16)**

8. Explain the price and volume charts in technical analysis with diagrams.
9. Following information is available regarding four mutual funds:

Mutual Fund	Return, R	Risk, σ	B (Beta)
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 and Treynor's Ratio. Comment on the evaluation after ranking the funds, given that the risk-free rate is 9%.

10. Mr. X wants to invest Rs.80,000 and he has identified two securities for this purpose: Security A or Security B. As the state of the economy over next one year is uncertain, following information is gathered:

State of Economy	Prob.	$\bar{\bar{R}}_A$	$\bar{R}_B$
Recession	.2	-5%	10%
Normal	.6	20%	15%
Good	.2	40%	20%

Find out the expected return, standard deviation and coefficient of variation of return of two securities.

SECTION – C

Answer any One Question: **(1 x 20 = 20)**

11. From the following information given about different securities, construct an optimum portfolio:

Security	Expected Return	β	σ^2_{ei}
A	11.0%	2.0	40
B	11.0%	1.5	30
C	11.0%	1.0	40
D	17.0%	2.0	10
E	12.0%	1.0	20
F	17.0%	1.5	40
G	15.0%	1.0	50

Risk-free rate. I_{RF} is 5% and $\sigma^2_M = 10$.

12. a) market price Rs. 107, face value is Rs.100, Coupon Rate is 12%, Date of purchase 1-1-12. Maturity date 31-12-17, callable on 1-1-14, interest is payable annually, maturity / callable value is Rs 105.Calculate YTC of the bond.

b) The following data are furnished with regards to a firm.

Earnings per share Rs. 10

Capitalization rate = 20%

Find out the market price of the share under different rate of return, r, of 10%, 20% and 30% for different payout ratios of 0%, 40%, 80% and 100%.

****