

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2008-09 & thereafter)

SUBJECT CODE : CM/MC/PF64

B.Com. DEGREE EXAMINATION APRIL 2012
COMMERCE
SIXTH SEMESTER

COURSE : MAJOR – CORE
PAPER : PORTFOLIO MANAGEMENT
TIME : 3 HOURS **MAX. MARKS : 100**

SECTION – A

ANSWER THE FOLLOWING: (30 x 1 = 30 Marks)

1. Define the importance of a Financial Portfolio.
2. List out the broad Asset Classes in a Financial Portfolio.
3. Sensex comprises:
a) 50 Stocks b) 33 Stocks c) 30 Stocks d) 100 Stocks.
4. Why do you need Diversification in a Financial Portfolio?
5. Risk averse investors resort more to income Assets thanAssets.
6. Investor expects in addition to as Capital Markets Returns.
7. What are the Risk – Return Valuation Parameters for assessing Efficient Frontier?
8. If a Stock of Company A is bought at Rs.222 and sold after a year at Rs.282 during Which the company also pays out a Dividend of Rs. 3.50 per share, what is the total Percentage Return on the stock?
9. Write down the Formula for calculating Standard Deviation.
10. CAPM stands for
11. and are considered as measurements in evaluating risk and risk respectively.
12. Explain Debt instruments and under what circumstance the same attracts the investor interest?
13. Differentiate Fundamental Analysis and Technical Analysis based on their characteristic roles in Asset Assessment.
14. SML is the connecting line between and

15. Define Risk Premium.
16. Covariance between stock A & the market is 0.001 and variance of the market is 0.0008. What is the beta of stock A?
17. The book value per share of the company LMN shows Rs. 42, when the stock is quoting at Rs. 63. What is the price to book value rate?
18. Company XYZ made an EPS of Rs.30 when the risk free rate is 9%. Find out the intrinsic value of the stock.
19. A Portfolio has earned 20% return with 15% standard deviation. The risk free rate of return of the period is 8%. The Sharpe measure for the portfolio is
a) 0.4 b) 0.6 c) 0.8 d) 1.0 e) 1.6
20. A borrower offers 16% nominal interest rate with quarterly compounding. What is the effective rate of interest?
21. An investor bought 1000 shares of X Ltd. On Jan 31, 2008 for Rs.12,000. The company paid a dividend of Rs.1 on Jan 31, 2009. If the price of the stock, on Feb 01, 2009 is Rs. 15, then the holding period yield to the investor for a one year time horizon:
a) 30.33% b) 25.33% c) 33.33% d) 26.91% e) 30.85%
22. Miss Daisy owns a diversified portfolio of securities which she estimates to have a standard deviation of 0.37. The return on short term T. Bills is 0.09 and she estimates the expected market return to be 0.14 and the market standard deviation to be 0.28. What is the expected return on Miss Daisy's portfolio?
23. If total return of the equity stock during a year was 18.5%, and the rate of Inflation was 5.5%, the real return is
24. If a nominal rate of 12% is compounded 4 times a year the effective rate will be
25. What is the present value of Rs.100 to be received after a year at 10% interest?
26. Calculate the real rate of return if an investor gets a return of 12% on his investment and the inflation rate is 6.8%.
27. **Match the following:**
- | | |
|-------------------------|--------------------------|
| 1) High Leverage | A) Market Risk |
| 2) Decline in Bank Rate | B) Purchasing Power Risk |
| 3) Inflation | C) Finance Risk |
| 4) Kargil War | D) Interest Rate Risk |
28. Find out the yield to maturity on a 8 per cent, 5 year bond selling at Rs.105.

29. Mrs. Ali purchased a stock for Rs.50 and she disposed it for Rs. 48. If during the holding period she received Rs. 3 as dividend then her holding period return is
 a) 1.8% b) 2% c) 3.2% d) 1.5%.
30. Suppose a Preferred Stock's Annual Dividend is of Rs.3 and Required Rate of Return is 15%, what is its worth today?
 a) Rs. 20. b) 25. c) 30. d) 15.

SECTION – B

ANSWER ANY FIVE OF THE FOLLOWING:

(5 x 8 = 40 Marks)

31. Explain Return Objectives and Investment Constraints in a Financial Portfolio.
32. Explain Cash Flow based on Time Value Concepts and elaborate, with examples, on how the same is relevant in calculating Bond Returns.
33. Describe Bond Valuation Theorems with relevant figurative references.
34. Company ABC
 a) Risk Free Return (R_f) = 8%. Beta (β_{ABC}) = 0.8. Market Return (R_m) = 12%.
 b) Last Paid Dividend (D_0) = Rs. 4.20. Dividend Growth Rate (G) = 8%.
 Current Purchase Price (P_0) = Rs. 120.00.
 Company XYZ
 c) Risk Free Return (R_f) = 8%. Beta (β_{XYZ}) = 1.2. Market Return (R_m) = 12%.
 d) Last Paid Dividend (D_0) = Rs. 6.00. Dividend Growth Rate (G) = 6.4%.
 Current Purchase Price (P_0) = Rs. 80.00.
 Asses the Required Return (R_{Rqd}) using CAPM and also on comparing the same to the Expected Return $E(R)$, project the Stock of your choice.
35. Mr. Anand is considering the purchase of a bond currently selling at Rs. 878.5. The bond has four years to maturity. Face Value is Rs. 1,000 and Coupon rate is 8%. The next annual interest payment is due after one year from today. The required Rate of return is 10%.
 a) Calculate the Intrinsic Value (Present Value) of the bond. Should Mr. Anand buy the bond?
 b) Calculate the yield to maturity of the bond.
36. Explain Elliott Wave Theory and your Points of Entry and Exit in an Impulse Wave and Corrective Wave respectively; Illustrate the same.
37. The returns on securities A and B are given below

Probability	Security A	Security B
0.5	4%	0%
0.4	2%	3%
0.1	0%	3%

Give the security of your preference. The security has to be selected on the basis of return $E(r)$ and risk (σ).

SECTION – C

ANSWER THE FOLLOWING:

(30 Marks)

38. Dr. Bright has an opinion that in the coming years the “Hospital and Medical Services” Industry has a promising Financial Prospects, and he is looking for a Professional advice supporting his Independently Managed Portfolio. The Earnings based Intrinsic Value has to be derived against current Risk Free Return of 9%. Expected Market Return is 15%. Suggest him the Best Choice based on atleast Six financial parameters following the Annual Data given below:
Explain your 1) Concept 2) Application of Conceptual Knowledge 3) Numerical Analysis

Audited Annual Report	Apollo Hospitals	Fortis Health Care	Indraprastha Med
Face Value	5	10	10
Paid up Capital (Rs. Cr)	65.7	405.2	91.7
Book Value (Rs)	130	74	16
Sales (Rs. Cr)	2332	266	441
Net Profit (Rs. Cr)	181.7	141.8	30.7
Earnings Per Share (Rs)	13.8	3.5	3.4
Dividend (Rs)	3.75	0	1.6
Debt to Equity Ratio	0.5	0.2	0.5
Return on Net Worth (%)	10.6	4.7	20.6
Net Profit Growth (%)	21	- 115	-9
Promoters Stake (%)	31.52	81.48	50.96
Institutional Stake (%)	37.78	9.27	1.06
Market Capitalisation (Rs. Cr)	8239	4540	335
52 Week High / Low	717/432	172/109	45/30
Enterprise Value	8838	4951	405
Trailing Price to Earnings (Industry Composite: 35)	41.2	67.8	11.4
Current Market Price (Rs)	627.1	112.05	36.55
