

B.Com. DEGREE EXAMINATION APRIL 2017
COMMERCE
SIXTH SEMESTER

COURSE : MAJOR – CORE
PAPER : PORTFOLIO MANAGEMENT
TIME : 3 HOURS

MAX. MARKS: 100

SECTION – A

ANSWER ALL THE QUESTIONS:

(10 x 2 = 20 Marks)

1. Define Optimal portfolio.
2. What is an efficient frontier?
3. Differentiate between SML and CML.
4. What is systematic risk?
5. What do you mean by diversified portfolio?
6. Define Industry Cycle.
7. What is an investment risk?
8. What is portfolio revision?
9. What do you mean by diversification?
10. Define Intrinsic value.

SECTION - B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40 Marks)

11. Distinguish between fundamental and technical analysis.
12. What are the types of investments?
13. Bring out the propositions of efficient market hypothesis.
14. From the given data, evaluate the portfolios

	Portfolio A	Portfolio B	Portfolio C
Return	20%	25%	18%
Beta	1.5	1.6	1.4
Std. Deviation	5%	6%	4%
Market return	12%		
Risk free rate		7%	

15. From the following data compute the beta value

Index Return	.50	.60	.50	.60	.80	.50	.80	.40	.70
Scip Return	.30	.60	.40	.50	.60	.30	.70	.50	.60

16. A Security pays a dividend of Rs.3.85 and sells currently at Rs.83. The security is expected to sell at Rs.90 at the end of the year. The Security has a beta of 1.15. The risk free rate is 5% and the expected return on market index is 12%. Assess whether the security is correctly placed.
17. Thirty years ago, Jesse Jones bought 10 acres of land for Rs.1,000 per acre in what is now downtown. If this land grew in value at an annual interest rate of 8 percent, what is it worth today?

SECTION – C**ANSWER ANY TWO QUESTIONS:****(2 x 20 = 40 Marks)**

18. Discuss the application of CAPM and its application in portfolio selection.

19. What do you mean by Risk? Explain its causes and types.

20. 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 and risk.

21. An investor is looking for making investment in the shares of X Ltd about which the following information has been collected:

Return	Probability	Market Return
20%	.4	16%
13%	.4	12%
-5%	.2	3%

Should he make the investment given that the risk-free rate of return is 7%. Apply appropriate model.
