SYIM SEM III SAPM TIME 2 ½ 75 Marks

VCD - 16/10/19

Q.1 a) State whether the following statements re True or false: (any 8) 8 Marks

1. Debentures are long term investment option with fixed stream of cash flow depending on the quoted rate of interest.
2. Portfolio means a combination of financial assets and physical assets.
3. Higher risk is associated with greater probability of higher return and lower risk with a greater probability of smaller return.
4. Portfolio revision involves changing the existing mix of securities
5. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume.
6. Investing in equity share is a tax saving investment.
7. Type A Investor wish to adopt a diversified portfolio to somewhat protect them for inflation and Tax.
8. An investor is not interested only in the efficient portfolios.
9. Buying and selling securities does not involve transaction costs such as commission and Brokerage.
10. Occasionally a bond is issued with a small maturity.

Q.1 b) Match the following (any 7) 7 Marks

Group A	Group B
1.Investment	A)Sharpe Index Model
2.Portfolio	B) Controllable
3.Single Index Model	C)Buying of Assets
4.Unsystematic Risk	D)Combination of different securities
5.CAPM	E)Beta
6.Theorem One	F)Balance between risk and return
7. Treynor's Measure	G)Jenson's measure
8.Active revision Strategy	H) A Bond's Sensitivity to interest rate changes increases at a Diminishing Rate as its maturity Grows.
9.Theorem Four	I)Bond prices and yields move in opposite direction
10. Risk Return ,Trade off	J) Based on analysis of the fundamental factors and technical factor

Q.2 a) The rate of return of Stock A and B under different status of economy are given below : (8 marks)

Particular	Boom	Normal	Recession
Probability	0.30	0.50	0.20
Return on Stock A (%)	30.00	50.00	70.00
Return on Stock B (%)	70.00	50.00	30.00

i) Calculate the expected return and standard deviation of return on both the stock.

ii) If you could invest in either Stock A or Stock B, but not in both. Which stock would you prefer?

Q.2 b) You are required to calculate Beta for Diamond Ltd. (7 Marks)

Year	Return on Security Diamond Ltd (%)	Market Return (%)
1	13	15
2	14	16
3	15	17
5	13	14
5	12	12

OR

c) What do you understand by the term Portfolio Analysis? Explain its components. (8 Marks)

d) What is an investment? What are the objectives of Investment? (7 Marks)

Q.3 a) Three mutual funds have reported the following rates of Return and risk over the last five year.

Mutual fund	Average Return (%)	Standard Deviation	Beta
Sparrow Ltd.	14	0.16	1.10
Heron Ltd.	12	0.15	1.20
Vulture Ltd.	11	0.11	0.85

Evaluate the portfolio performance using Sharpe and Treynor's Index which portfolio has performed better. Assume risk free rate of Return as 8 % (8 Marks)

Q.3 b) Calculate Jensen Measure and Rank Them. (7 Marks)

Particular	Average Return (%)	Beta	Risk Free rate of Return
X	10%	0.67	5%
Y	12%	0.90	5%
Z	15%	1.25	5%
Market Index	10%	1.00	5%

OR

Q.3 C) What is the meaning of Portfolio Evaluation? Explain Need of portfolio evaluation. (8 Marks)

d) . Explain how the effective frontier is determined using Markowitz approach (7 Marks)

Q.4 a) You are considering an investment in one of the following Bonds: (8 Marks)

	Coupon rate	Maturity	Price / Rs. 100 Par Value
Bond A	12 %	10 Year	Rs.70
Bond B	10 %	5 Year	Rs.60

i) What is YTM of Each Bond?

ii) Which Bond would you recommend for Investment?

b) A bond of 1,000 has a coupon rate of 8 % P.a and maturity period 3 years. The bond is currently selling at Rs.910. What is the yield to maturity in Investment of the Bond? (7 Marks)

OR

Q.4 c) Define Bond. Explain its Characteristic? (8 Marks)

d) Discuss Bond Pricing Theorems. (7 Marks)

Q.5 a) Explain the Role of Portfolio Managers? (8 Marks)

B) Explain the need of portfolio Revision ? (7 Marks)

OR

Q.5 Write Short Notes (Any 3) (15 Marks)

1) Factors Affecting Investment
2) Single Index Model.
3) Decomposition of Performance.
4) Yield To Maturity
5) Phases of Portfolio Management