

Note: 1) All questions are compulsory, Subject to internal choice.
2) Figures to the right indicate full marks.

Q1 A) Fill in the blanks and rewrite the statements by choosing the correct option (any 8) (8)

1. _____ means commitment of funds with the hope of earning returns. (investment, gambling, speculation)
2. _____ investors follow the index. (active, passive, regular)
3. _____ risk cannot be controlled. (systematic, unsystematic, market)
4. _____ investment means exchange of shares, bonds, real estate, etc. (economic, financial, tax saving)
5. _____ objectives do not have priority and are not very painful. (short term high priority, low priority, long term high priority)
6. Beta of the market is always equal to _____ (zero, 1 , -1)
7. _____ is the first step in portfolio management (analysis, selection, revision)
8. Standard deviation and variance are statistical measures used to measure _____ in investment (risk, return, volatility)
9. 'n' indicates _____ of securities in a portfolio. (nominal, number, network)
10. A portfolio which provides highest return at lowest risk is known as _____ Portfolio(efficient, limited, maximum)

Q1 B) Match the following and rewrite. (any 7) (7)

Column A	Column B
1. Debt	a) Shares and debentures
2. Tax saving	b) Riskless profits
3. Stock market investment	c) Portfolio
4. Diversification of risk	d) Multi index model
5. Arbitrageur	e) Total gain
6. Capital + current returns	f) LIC investment
7. Asset allocation	g) Fixed return
8. Transaction cost	h) Portfolio construction
9. Feasible set	i) Opportunity set
10. $R = \alpha + \beta m R_m + \beta_1 R_1 + \dots$	j) Buying & selling of securities

- Q2 A) What is the meaning of investment? What are the characteristics of investment? (7)
 B) Explain the role of portfolio managers in managing of funds. (8)

OR

- Q2 P) What are the advantages of portfolio management? (8)
 Q) Explain the types of investors. (7)

- Q3 A) Calculate Beta of the following security. (7)

Year	Returns on X %	Returns on Market %
1	41	40
2	33	34
3	40	42
4	10	15
5	29	30

- B) Find out the risk and return for X & Y. (8)

Situation	Probability	Return of X (%)	Return of Y (%)
Recession	0.25	110	180
Stagnation	0.25	130	150
Normal	0.30	160	100
Boom	0.20	190	70

OR

- Q3 P) Calculate portfolio risk and return. (7)

Securities	Return	Standard deviation	Proportion
ABC	15	0.20	40
XYZ	20	0.40	60

$r = -0.36$

- Q) Explain the Markowitz “Modern Portfolio theory” in detail. (8)

- Q4 A) Explain the concept of Portfolio Revision. What are the strategies used for revision of a portfolio? (8)
- B) Why is there a need to evaluate your portfolio? (7)

OR

- Q4 P) The details of three portfolios are given below. Compare these portfolios on performance using the sharpe's, treynor's and Jensen's measures. Comment and rank them according to the performance.

Portfolio	Average return (%)	Std. deviation	Beta
1	15	0.25	1.25
2	12	0.30	0.75
3	10	0.20	1.10
Market	12	0.25	1.00

The risk free rate of return is 9%. (15)

- Q5 A) A bond of Rs. 100 face value carries a coupon rate of 15% and is redeemable after 7 years at a premium of 5%. If the required rate of return is 16%, what is the present value of the bond? The current market price of the bond is Rs. 150. Advise the investor whether the bond should be purchased or not. (7)
- B) A bond of Rs. 1000 has a coupon rate of 6% p.a. and maturity period is 3 years. The bond is currently selling at Rs. 900. What is the yield to maturity in investment of this bond? (8)

OR

- Q5 P) Write short notes on (any 3) (15)
- Multi-Index model
 - Bond Risks
 - Investment environment
 - Decomposition of performance
 - Types of investments
