

Santosh N
M.COM

PC - 448

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IV Semester M.Com. Degree Examination, June 2009
(2007-08 Scheme) (NS)

COMMERCE

F.5 : Portfolio Management

Time : 3 Hours

Max. Marks : 80

SECTION - A

Answer any ten of the following in about 4 to 6 lines each. Each subquestion carries two marks. (2×10=20)

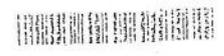
1. a) List the entities involved in mutual fund management. ✓
- b) Name any four option strategies. ✓
- c) What is the objective of Markowitz model? ✓
- d) Define an efficient portfolio. ✓
- e) Define beta. ✓
- f) List the risks in international investing. ✓
- notes g) Name the bond management strategies. ✓
- h) What are 'defensive stocks' and what are 'blue chip' stocks? ✓
- i) What is a 'characteristic line'? Return on an Individual security & its risk ✓
- j) State two properties of utility indifference curves. ✓
- k) What is 'arbitrage'? ✓
- l) What is the objective of CML? ✓

SECTION - B

Answer any three of the following in about one page each. Each question carries 5 marks. (5×3=15)

2. What is 'arbitrage pricing theory'? Bring out the essentials of APT. ✓

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- 3. What is 'market timing'? What are the approaches to 'market timing'?
- 4. State the assumptions of capital asset pricing model.
- 5. What is Sharpe's single index model? Explain in brief.
- 6. List the methods for evaluating portfolio performance, explain any one of them.

SECTION - C

Answer any three of the following in about three paper each (in case of theory questions). Each question carries 15 marks. (15x3=45)

- 7. Explain the Markowitz model bringing out its importance in portfolio theory.
- 8. Explain any three strategies using options stating when you use them.
- 9. Discuss international investing with special reference to the associated opportunities and threats.

10. A mutual fund consists of 3 securities A, B and C. Mean returns earned by these securities are $\bar{R}_A = 12\%$, $\bar{R}_B = 14\%$ and $\bar{R}_C = 14\%$. The proportion of these securities in the fund are $W_A = 0.3$, $W_B = 0.5$ and $W_C = 0.2$. The standard deviation of these securities in percentage terms are $\sigma_A = 6$, $\sigma_B = 9$, $\sigma_C = 10$. The correlation coefficients among securities are $\rho_{AB} = 0.4$, $\rho_{BC} = 0.7$ and $\rho_{CA} = 0.6$. Find the expected return and risk of the mutual fund.

11. Following data is available for two securities A, B, Nifty and T-bills. Find the under priced and over priced securities.

Securities	Expected Return	Beta	Sharpe Model
A	33%	1.7	
B	13%	1.4	
Nifty index	13%	1.00	
T-Bills	9%		

Explain in brief the theory you use.

Handwritten notes:
 Sharpe Model
 $S = \frac{R - R_f}{\sigma}$
 where R = Expected Return, R_f = Risk-free rate, σ = Standard Deviation

IV Semester M.Com. Examination, June/July 2010
(2007-08 Scheme) (N.S.)

Commerce

Paper F.5 : PORTFOLIO MANAGEMENT

Time : 3 Hours

Max. Marks : 80

SECTION - A

1. Answer any ten of the following in about 4-6 lines each. Each subquestion carries 2 marks.

(2×10=20)

- a) Define Portfolio return.
- b) State two properties of utility indifference curves.
- c) What are barriers to international investing?
- d) What is a 'straddle'?
- e) Describe the data required for capital asset pricing model.
- f) What is 'Market timing'?
- g) Name active portfolio management strategies.
- h) Define CML.
- i) What is systematic risk?
- j) In Markowitz model, what is an optimal portfolio?
- k) What is arbitrage?
- l) What is investor life cycle?

Answer any three of the following in about a page each. Each question carries 5 marks.

(3×5=15)

2. Bring out the importance of Sharpe's single index model in portfolio theory.
3. Explain in brief any one option strategy.
4. Explain in brief the graphical representation of efficient frontier in Markowitz model.
5. List the steps in portfolio management process. Discuss any one of the steps.
6. Write a brief note on investment concepts used in managing a mutual fund.

SECTION - C

Answer any three of the following. Answers to theory questions should not exceed 3 pages.

(15×3=45)

7. A portfolio consists of three securities ¹A, ²B and ³C. The proportions of these securities in the portfolio are $W_A = 0.3$, $W_B = 0.5$ and $W_C = 0.2$. The standard deviation of these securities in percentage terms are $\sigma_A = 6$, $\sigma_B = 8$ and $\sigma_C = 10$. The correlation coefficients among security returns are $r_{12} = 0.4$, $r_{13} = 0.6$, $r_{23} = 0.7$. The three securities A, B, C earn a mean return of 8%, 7% and 10% respectively.

Find the mean portfolio return. What is the risk of this portfolio?

8. Following data describes the returns earned by a stock A and the nifty index in 6 consecutive periods.

Period	Return on Stock A %	Return on Nifty index
1	10	12
2	15	14
3	18	13
4	14	10
5	16	9
6	16	13

Find the beta for stock A. Also write the equation of the regression line.

9. State the assumptions of 'Capital asset pricing model'. Are they realistic? Offer your comments. Explain the CAPM. Write the equations of CML and SML stating the importance of each.

10. What is international investing? Discuss the different ways of (approaches to) international investing. Discuss the advantages and risks involved.

11. Write explanatory notes on any two of the following:

- a) Jensen and Treynor measures
 b) Arbitrage pricing theory
 c) Beta
 d) Portfolio objectives.