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Paper / Subject Code: 46003 / Finance:Investment Analysis & Portfolio Management

Duration: 2½ Hours **Marks: 75**

NB: (1) All questions are compulsory having internal option.
(2) Figures to the right indicate marks allocated to each question.
(3) Simple calculator is allowed.

1. (A) Select the right option and rewrite the sentence. **(Any 8)** **(8 Marks)**

i. Markowitz approach has roots in__________.
a. Analysing risk and return related to stocks.
b. Estimation of stock return
c. Proper entry and exit in the market.
d. Good portfolio management

ii. ___ refers to the risk which emerges out of controlled and known variables that are industry or security specific.
a. unsystematic risk
b. beta
c. standard deviation
d. systematic risk

iii. ____________measures the amount of systematic risk a security has relative to the whole market.
a. Beta
b. Range
c. Variance
d. Standard Deviation

iv. under -___ portfolio manager has to assess the performance of portfolio over a period of time.
a. performance evaluation
b. portfolio revision
c. portfolio execution
d. portfolio diversification

v. Treynor measure consider__________.
a. systematic risk and beta
b. unsystematic risk and beta
c. systematic risk
d. unsystematic risk

vi. ____ is the last step in process of portfolio management.
a. portfolio evaluation
b. portfolio performance
c. investment objectives setting
d. selection of stocks

vii. The ____ model is a model that describe the relationship between systematic risk and expected return for assets, particularly stocks.
a. Capital Asset Pricing
b. Capital Market Line
c. Security Market Line
d. Arbitrage Pricing Theory

viii. If an asset's expected return plots above the security market line, the asset is____.
a. under -priced
b. overpriced
c. fairly priced
d. under-priced with unique risk

ix. Under ___a portfolio manger monitor and review scripts according to market condition.
a. portfolio revision
b. portfolio evaluation
c. portfolio execution
d. portfolio diversification

x. ______ applies to debt investment.
a. Interest rate risk.
b. currency risk
c. market risk
d. legal risk

1. (B) Give True or False: **(Any 7)** **(7 Marks)**

i. Market risk is the risk of investment declining in value of portfolio.
ii. Portfolio evaluation refers to the evaluation of the revision of the portfolio.
iii. According to Capital market line, the expected return of any efficient portfolio is a function of total risk.
iv. Credit risk is the risk of loss from reinvesting principal or income at a lower interest rate.
v. The minimum maturity of Treasury bill is 28 days.
vi. Central and state government can issue Gilt-edge Securities.
vii. Security Market Line graphs define efficient portfolio.
viii. An aggressive common stock would have a beta equal to zero.
ix. An over price-priced stock will plot on below the security market line.
x. Balance or hybrid scheme of mutual funds invest in both fixed income and equity.

2. (A) What is investment? Explain the process of investment? **(8 Marks)**
(B) Compare Investment, Speculation and Gambling. **(7 Marks)**

OR

(1)

2. You are a Portfolio Manager Consultant practicing as freelancer. Mr. Arpit approached you for his investment planning. His age is 65 years with investible funds of Rs. 2 Crores. He needs guidance in respect of following area. Explain in brief.
   i. What are the investment avenues available to him which will give a suitable return with maximum return?
   ii. What are the various types of risks? **(15 Marks)**

3. (A) Calculate Beta for Apple Ltd. **(8 Marks)**

Year	1	2	3	4	5	6	7	8	9	10
Return on Security (%)	11	14	18	10	8	11	18	12	20	10
Return on Market Portfolio (%)	12	10	10	15	12	14	15	20	22	10

3. (B) Mr Mahesh has a portfolio of two securities with 50% investments in security M and 50 % investment in security N. The characteristics of return under three different situations with different probability for the two securities and the portfolio are given below.

Particulars	Boom	Normal	Recession
Probability	0.35	0.50	0.15
Return of Stock of M Ltd. (%)	20	30	40
Return of Stock of N Ltd. (%)	40	30	20

Calculate the expected return and standard deviation of return on both the stocks.

(7 Marks)

OR

3. Following is the information about shares of A Ltd. and B Ltd. in various economic conditions. Give answers for the questions given below.

Economic Condition	Probability	Expected price of A Ltd. (Rs.)	Expected price of B Ltd. (Rs.)
High Growth	0.4	40	30
Low Growth	0.2	10	30
Stagnation	0.2	20	20
Recession	0.2	30	20

a. Which company has more risk to invest?
b. Will your decision change if probabilities are 0.1, 0.2, 0.3, 0.4 respectively?

(15 Marks)

4. (A) What is portfolio management? Explain portfolio management process. **(8 Marks)**
   (B) What is technical analysis? Explain the different types of charting techniques.

(7 Marks)

OR

4. Following is the Balance Sheet of Music Ltd as on 31 March 2022.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital (Face Value Rs. 10 each)	8,00,000	Fixed assets	10,00,000
Reserves & Surplus	2,00,000	Current Assets	3,60,000
8% Debentures	2,00,000		
Creditors	1,60,000		
	13,60,000		**13,60,000**

Additional Information:

a) Net operating profit before tax is Rs 2,80,000.

b) Assume Tax Rate at 50%

c) Dividend declared Rs 1,20,000.

Calculate:

i. Earnings per share

ii. Return on Capital Employed

iii. Return on shareholder's Fund

iv. Debt Equity Ratio

v. Dividend Yield Ratio

Also advise to the Investor, which is good for Investing. **(15 Marks)**

5. (A) The information for three portfolios is given below:

Portfolio	Average Return on Portfolio (%)	Beta	Standard Deviation
A	14	1.25	0.25
B	10	1.10	0.15
Market Index	12	1.20	0.25

Compare these portfolios on performance using Sharpe and Treynor Measures. Risk free rate of return is 8%. **(8 Marks)**

5. (B) The Expected return and Beta factor of three securities are as follows:

Securities	Expected Return (%)	Beta
A	18	1.6
B	10	0.8
C	12	1.2
D	15	1.5

If the risk-free rate is 7% and market return are 13%. Calculate returns for each security under CAPM. **(7 Marks)**

OR

5. Give Short Notes on: **(Any Three)** **(15 Marks)**

i. Non-marketable financial assets

ii. Unsystematic risk

iii. Primary market

iv. Economic Analysis

v. portfolio strategy Mix