LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – NOVEMBER 2007

CO 3802 - SECURITY ANALYSIS & PORTFOLIO MANAGEMENT

AU 20

Date : 24/10/2007 Dept. No. Max. : 100 Marks
Time : 9:00 - 12:00

SECTION – A

Answer ALL questions: **(10 x 2 = 20)**

1. What are the stages involved in investment process?

2. Mention the various forms of investment alternatives?

3. What should you bear in mind while monitoring the global macro economy?

4. What do you understand by portfolio management?

5. What is Markowitz model?

6. What is constant ratio plan under portfolio revision?

7. What is business risk?

8. Bring out any four advantages of foreign institutional investors

9. How investment differs from gambling?

10. What is Filtering test?

SECTION – B

Answer any five questions: **(5 x 8 = 40)**

11. What are problems encountered in portfolio management?

12. Discuss the various ways of minimizing risks.

13. What are the various investment attributes to be considered in the investment proposal?

14. Give a brief account of criticism posed on the Efficient Market Hypothesis.

15. The risk-free interest rate is 8% and the expected return on the market porfolio is 16%. Calculate the expected return on the following securities:

Security	A	B	C	D
Beta	0.4	1.0	2.6	2.0

Which security provides better return?

16. Mr. X owns a portfolio of two securities with the following expected returns, standard deviation and weights:

Security	Expected Return	Standard Deviation	Weight
X	12%	15%	0.4
Y	15%	20%	0.6

Using Markowitz model, find the maximum and minimum Portfolio standard deviation for varying levels of correlation (+1 and –1) between two securities?

17. A company earns Rs.10 per share with an internal rate (IRR) of 15%. The firm has a policy of 40% of its earnings as dividend if the required rate of return is 10%. Determine the price of the share under Walter and Gordan Model.

18. A firm is to decide between investment funds from the past performance, they were able to calculate the following average return and standard deviation for these funds, the current risk free rate is 8%. The firm will use this as measure of risk free rate.

Particulars	ABC Fund	XYZ Fund
Average return (Rp)	18%	16%
Standard deviation	20%	15%

Using Sharp model how the firm decides between two options.

SECTION – C

Answer any TWO questions: **(2 x 20 = 40)**

19. Give an account in Indian Securities market?

20. Discuss the institutional arrangements for security investment in India.

21. Write note on
(a) Simulation test
(b) MM Hypothesis
(c) Return relative
(d) Portfolio diversification
(e) Mutual fund

****