**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

Registration Number:

Date & Session

**B.Com–VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2024**

**(Examination conducted in May/June 2024)**

**BCDEF 6423: SECURITIES ANALYSIS AND PORTFOLIO MANAGEMENT**

**(For current batch students only)**

**Time: 2 Hours Max Marks: 60**

**This paper contains \_\_\_2\_\_ printed pages and FOUR parts**

**Section A**

**Answer any FIVE of the following**  **(5 X 3 = 15 marks)**

1. Differentiate between Investor and speculator.
2. State the formula for Coefficient of variation and interpret its significance.
3. State the concept of correlation in relation to diversification strategies.
4. What is Beta? Interpret Beta
5. What is Active Portfolio Management?
6. What is Fundamental Analysis?

**Section B**

**Answer any TWO of the following** **(2 x 5 = 10 marks)**

1. An investor has allocated ₹50,000 to three different assets: Asset A, Asset B, and Asset C. The expected returns for these assets are 8%, 10%, and 6% respectively. If the investor invests ₹20,000 in Asset A, ₹15,000 in Asset B, and ₹15,000 in Asset C, what is the expected return of the investor's portfolio in %?
2. Write a short note on Capital market line and security market line.
3. Describe the key factors to consider when evaluating a company's financial statements for investment purposes.

**Section C**

**Answer any TWO of the following (2 X 10 =20 marks)**

1. Consider the following information for three mutual funds A, B and C, and the market.

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Mean return (%)** | **Standard Deviation (%)** | **Beta** |
| A | 12 | 18 | 1.1 |
| B | 10 | 15 | 0.9 |
| C | 13 | 20 | 1.2 |
| Market Index | 11 | 17 | 1.0 |

The mean risk-free rate was 6 %. Calculate the Treynor measure and Sharpe Measure for the three mutual funds and the market Index.

1. **a)** Describe the process of constructing an efficient portfolio using the Markowitz Portfolio Theory. (5 marks)

**b)** Answer the following questions based on the chart depicted below



* 1. Identify the type of chart used and the chart pattern (1 mark)
	2. With the help of a diagram, state the characteristics of this type of chart. (2 marks)
	3. What can be interpreted from such a chart pattern? (2 marks)
1. Critically evaluate the assumptions underlying the CAPM. Discuss the limitations of the model in real-world applications. How do these limitations affect its practical usefulness?

**Section D**

**Answer the following (1 X 15 =15 marks)**

1. From the following probability distribution of Returns.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **State of the Economy** | **Probability** | **Return of Stock A (%)** | **Return of Stock B (%)** | **Return on Portfolio (%)** |
| 1 | 0.2 | 15 | -5 | 5 |
| 2 | 0.2 | -5 | 15 | 5 |
| 3 | 0.2 | 5 | 25 | 15 |
| 4 | 0.2 | 35 | 5 | 20 |
| 5 | 0.2 | 25 | 35 | 30 |

 **Calculate:**

1. Expected returns of Stock A, Stock B and Portfolio (5 marks)
2. Standard Deviation of Stock A, Stock B and Portfolio (10 marks)

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