Name of the Department : **Master of Business Administration**

Subject Code & Name :**BA 5012 & SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT**

Year & Semester :**II & III**

PART-A

Unit – I

1. Whatarethethreecomponentsofaninvestorsrequiredrateofreturnonaninvestment?

The required rate of return, also known as the hurdle rate, is a term used in finance and investments. It refers to the minimum rate of return an investor expects when investing in an asset. The required rate of return is the minimum return an investor will accept for owning a company's stock, as compensation for a given level of risk associated with holding the stock.

Thethreecomponentsofinvestors

1. Components of Investment
2. Investment Analysis
3. Effect of Income Tax on Investment.

2. What is Gambling? Differentiate an investor fromspeculator

Gambling refers to wagering money in an event that has an uncertain outcome in hopes of winning more money, whereas **speculation** involves taking a calculated risk in an uncertain outcome. **Speculation** involves some sort of positive expected return on **investment**—even though the end result may very well be a loss.

3.Whatarethetwomajortypesofinformationnecessaryforsecurityanalysis?

- World affairs.
- Domestic Economic and Political factors.

4.**What are the features of preferenceshares?**

- Dividends for **preference** shareholders.
- **Preference** shareholders have no right to vote in the annual general meeting of a company

5.Distinguish between real and financialassets

Financial Assets. Although they are lumped together as tangible **assets**, **real assets** are a separate and distinct **asset** class from **financial assets**. Unlike **real assets**, which have intrinsic value, **financial assets** derive their value from a contractual claim on an underlying **asset** that may be **real** or intangible.

6.How is expected returncalculated?

To calculate run rate, take your current revenue over a certain time period—let's say it's one month. Multiply that by 12 (to get a year's worth of revenue). If you made $15,000 in revenue for each month, your annual run rate would be $15,000 x 12, or $180,000.

EV= P(X)*n

7. Define Systematic risk and Unsystematic risk.

Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as "undiversifiable risk," "volatility" or "market risk," affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

8. **What do you mean by pre-emptiverights?**

Preemptive rights are a contractual clause giving a shareholder the right to buy additional shares in any future issue of the company's common stock before the shares are available to the general public.

9. **What is risk free rate ofreturn?**

The **risk-free rate of return** is the theoretical **rate of return** of an investment with zero **risk**. The **risk-free rate** represents the interest an investor would expect from an absolutely **risk-free** investment over a specified period of time.

10.Define "security" as per Security Contract regulationact.

A **security** is a financial instrument that represents an ownership position in a publicly-traded corporation (stock), a creditor relationship with governmental body or a corporation (bond), or rights to ownership as represented by an option.

11.Describe different types ofrisk.

1. Liquidity **Risk**.
2. Default/Credit **Risk.**
3. Interest Rate **Risk**.
4. Inflation **Risk**.
5. Policy **Risk**.
6. Market **Risk**.
7. Mortality **Risk**.
8. **Risk** of Information.

12.Explain the features of equityshares.

The **equity share capital** is held permanently by the company and returned only upon winding up. **Equity shares** give the right to the holders to claim dividend on the surplus profits of the company. The rate of dividend on the **equity capital** is determined by the management of the company.

13. Explain features of preferenceshares.

Preference shareholders have no right to vote in the annual general meeting of a company. These are a long-term source of finance. Dividend payable is generally higher than debenture interest. Right on assets when the company is liquidated.

PART- B QUESTIONS

1. **Explain features of preferenceshares.**
2. **(i)Explain the steps in portfolio / investmentmanagement.**
   (ii) Explain the concept of Systematic Risk? Why is it call SystematicRisk
3. **(i)Explainthedifferenttypesofinvestmentalternativesavailableforacommoninvestorwith moderate risk takingcapabilities?**
4. **Explain the Characteristics of Investment. Elucidate if there will be a tradeoff between Risk and Return inInvestments.**

5. Asaninvestmentadvisorwhatfeatureswouldyousuggesttobeincludedintheinvestmentbunch of a client explain the featuresbriefly.

6. Securityanalysisrequiresasfirststepthesourcesofinformationonthebasisofwhichanalysisis made.Whataredifferenttypesofinformationusedforsecurityanalysis?

7. Discussthedifferentkindsoflongterminvestmentopportunitiesavailableforcorporateinvestors with their pros andcons.

8. Explainwithexamplehowinvestmentopportunitiesshouldbeevaluatedonthebasisofrisk-return tradeoff.

9. (i) Why do people invest? Explain the characteristics and objectives of investment based on type of Investors.

(ii) What factor should an Investor consider while making investment decisions

10.The returns on securities A and B are givenbelow.

Probability	security A	security B
0.5	4	0
0.4	2	3
0.1	0	3

Give the security of your preference. The Security has to be selected on the basis of return and risk.

11. (i)Withoutadequateinformationtheinvestorcannotcarryouthisinvestmentprogramme.Elucidate

(ii) What are the main Advantages and disadvantages to a company by raising finance through issuing the ordinary shares?

12. (i)Explain the portfolio return and portfoliorisks.

(ii) Distinguish between Investing and Speculating. Is it Possible to incorporate Investment and Speculation within the same security? Explain with Examples.

Unit – II -

PART-A

1. Name any four market indices in Indianstock market

Some of the important indices in India are: **Benchmark indices** – BSE Sensex and NSE Nifty. Sectoral indices like BSE Bankex and CNX IT. **Market capitalization**-based indices like the BSE Smallcap and BSE Midcap.

5. What is reverse bookbuilding?

Reverse book building is the process by which a company that wants to delist from the bourses, decides on the price that needs to be paid to public shareholders to buy back shares. ... Stock exchanges then facilitate a **reverse book building** process through an online, fully automated, screen-based bidding system.

3.Explain the current settlement system inNSE.

NSE Clearing follows a T+2 rolling **settlement cycle**. For all trades executed on the T day, **NSE** Clearing determines the cumulative obligations of each member on the T+1 day and electronically transfers the data to Clearing Members (CMs).

4.What is preferentialallotment?

It is a process using which companies allots their shares to a group of people or interested companies on **preferential** basis. Bulk **allotment** of shares is done to individuals, venture capitalists or group of interested people.

5. What is demutualization of stockexchanges?

"**Demutualization**" is a term used to describe the transition of a **securities exchange** from a mutual association of **exchange** members operating on a not-for-profit basis to a limited liability, for-profit company accountable to shareholders.

6. What is risk free asset?

A **risk-free asset** is one that has a certain future return—and virtually no possibility of loss. Debt obligations issued by the U.S. Department of the Treasury (bonds, notes, and especially Treasury bills) are considered to be **risk-free** because the "full faith and credit" of the U.S. government backs them.

7. Explain the rolling settlement in trading ofsecurities.

A **rolling settlement** is the process of **settling security trades** on successive dates based upon the specific date when the original **trade** was made so that **trades** executed today will have a **settlement** date **one** business day later than **trades** executed yesterday.

8. What isoversubscription?

Oversubscription is a situation where a company has more buyers than the shares to fulfil the client's order. When the demand is higher than the supply, the company might increase the price of their share and propose new shares to reflect more than anticipated demand

9. **Who is depositoryparticipant?**
   Depository Participants are usually brokerage firms, financial institutions, and banks who work as a bridge between the investors and the stock exchanges. The relation of the **depository** and the **Depository Participant** is governed by provisions of the **Depositories** Act, 1996.

10. **Define stop order what is meant by CapitalMarket**

A stop-loss order—also known as a stop order—is a type of computer-activated, advanced trade tool that most brokers allow. The order specifies that an investor wants to execute a trade for a given stock, but only if a specified price level is reached during trading.

11. **Is trading on margin a goodidea?**
    You should invest through **margin trading** only if you ... If you are confident in making **good** profits, then you can continue to be **margin trade**. ... However, it can lead to magnified losses if things don't go in your **way**

12. **Define bookbuilding**
    Book building is used to raise funds while reverse **book building** is used for buying shares back from the market. ... The methodology of issuing securities by giving a price range is known as **book building** method. A **book building** is a price discovery mechanism

13. **What is an oddlot?**
    An odd lot is an order amount for a security that is less than the normal unit of trading for that particular asset. Odd lots are considered to be anything less than the standard 100 shares for stocks. Trading commissions for odd lots are generally higher on a percentage basis than those for standard lots since most brokerage firms have a fixed minimum commission level for undertaking such transactions

14. **What is insider trading?**
    Insider trading involves trading in a public company's stock by someone who has non-public, material information about that stock for any reason. Insider trading can be either illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still non-public, and this sort of insider trading comes with harsh consequences

15. **What is demat account?**
    Demat account means an **account** where your shares and securities are stored in an electronic format. ... Your **Demat account** is held at an accountable depository like NSDL (National Securities Depository Limited) or CDSL (Central Depository Services Ltd).

PART- B QUESTIONS

1. **Discuss the trading system in stock exchanges. Mention some of the recent reforms in the trading system.**
2. **2 (i) Discuss the SEBI"s Guidelines to the sharetrading.**
   a. **(ii)Explain the structure of Indian Financial Market. Discuss the major reforms in the India Capital Market.**
3. **(i)Who are the key players involved in the new issuesmarket.**
   a. **Discuss the various ways in which an initial public offer can be made.**
4. **(i)WhataretheobjectivesandfunctionsofSEBI?**
5. **(ii) What are the salient features of NSE & BSE?**
6. **(i)Write a note on book building processused to float new issues.**

a. **(ii) Discuss the major indices and how it helps investors?**

7. **(i)Discusstherole ofSEBIinregulatingstockexchangesinIndia.**
   a. **(ii) What are the SEBI guidelines on pricing of the security? Explain**
8. **(i)Explainthedifferentmethodsoffloatingnewissuesinthemarket.**
   a. **(ii) Discuss the Efficiency of Automated Vis-à-vis floor trading system in the secondary Capital Market.**
9. **(i)WhatistheroleanddevelopmentofOCTEIintheIndiancapitalmarket?**
   a. **(ii) Explain the mechanics of stock trading**
10. **(i) Elaborate the different stock valuationmodels.**
    a. **(ii) Discuss the role of Private placements in raising resources in the primary capital Market**
11. **(i)WhatarethestepstakenbySEBItoprotecttheinvestorsinthesecondarymarket?**
    a. **Explain the factors which are taken into account when an investor decides to invest in the primary market**

Unit – III

PART-A

1. **What is industry life cycleanalysis?**

Industry life cycle refers to the stages of **growth**, consolidation, and eventual extinction of an **industry**. It mirrors an economic **cycle** and consists of four main stages: expansion, peak, contraction, and trough. It is used to **analyze** a company's stock, depending on the stage that it is in during a **life cycle**.

2.What are Graham and Dodd‟s investorratios?

The **Graham** & **Dodds** price-to-earnings **ratio**, commonly known as CAPE or Shiller P/E, **is** a valuation measure usually applied to stocks or equity markets. It **is** defined as price divided by the average of ten years of earnings.

3.Whatdoyouunderstandbyfundamentalapproachtosecurityanalysis?

Fundamental analysis (FA) is a **method** of measuring a **security's** intrinsic value by examining related economic and financial factors. ... The end goal is to arrive at a number that an investor **can** compare with a **security's** current price in order to see whether the **security** is undervalued or overvalued.

4. **How is weighted value indexcomputed?**

To determine the **weight** of each stock in a **value-weighted index**, the price of the stock is multiplied by the number of shares outstanding. For example, if Stock A has **five** million outstanding shares and is trading at $15, then its **weight** in the **index** is $75 million.

5. Define the industry life cyclestages.

The **industry life cycle** refers to the evolution of an **industry** or business through four **stages** based on the business characteristics commonly displayed in each phase. The four **phases** of an **industry life cycle** are the introduction, **growth**, maturity, and decline **stages**.

6. **What is the importance of P/Eratio?**

The **P/E ratio** helps investors determine the market value of a stock as compared to the company's earnings. In

short, the **P/E** shows what the market is willing to pay today for a stock based on its past or future earnings. A high **P/E** could mean that a stock's price is high relative to earnings and possibly overvalued.

7. **What is opportunistic building model?**

Opportunistic Model Building This is **one** of the most widely used **forecasting** techniques. ... Initially, an analyst estimates the total demand in the **economy**, and based on this he estimates the total income or GNP for the **forecast** period.

8.What is EconomicForecasting?

Economic forecasting involves the building of statistical models with inputs of several key variables, or indicators, typically in an attempt to come up with a future gross domestic product (GDP) growth rate. Primary economic indicators include inflation, interest rates, industrial production, consumer confidence, worker productivity, retail sales, and unemployment rates.

9. List the significance of ROI in companyanalysis.

Return on investment, better known as **ROI**, is a key performance indicator (KPI) that's often used by businesses to determine profitability of an expenditure. It's exceptionally useful for measuring success over time and taking the guesswork out of making future business decisions.

10. WhatarethemechanismsadoptedbyRBItocheckliquidity?

The liquidity management framework of the Reserve Bank of India ... accountability mechanisms, and communication requirements were ... An empirical evaluation of the transmission of policy impulses to the operating target is taken up ... The liquidity management framework was further fine-tuned in view

11. **What is fiscal policy?**

Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. It is the sister strategy to monetary policy through which a central bank influences a nation's money supply. These two policies are used in various combinations to direct a country's economic goals. Here's a look at how fiscal policy works, how it must be monitored, and how its implementation may affect different people in an economy

12. **DefineGNP**

Gross national product (GNP) is an estimate of total value of all the final products and services turned out in a given period by the means of production owned by a country's residents. GNP is commonly calculated by taking the sum of personal consumption expenditures, private domestic investment, government expenditure, net exports and any income earned by residents from overseas investments, minus income earned within the domestic economy by foreign residents. Net exports represent the difference between what a country exports minus any imports of goods and services.

13. What is balance ofpayment?

Balance of Payment (**BOP**) of a country can be defined as a systematic statement of all economic transactions of a country with the rest of the world during a specific period usually one year

PART- B QUESTIONS

1. **(i)Explainthesalientfeaturesyouwilltakeintoaccountwhiledoingfundamentalanalysis.**
   a. **What are the macro economic factors would you consider before making investment decision**
2. **(i)Explainsomeofthekeyratiosthatyouwillbeconsideringbeforeinvestingina stock.Can you depend only on these ratios for making thedecision?**
3. **(ii) Discuss at what stage in the industrial cycle you would like to discover an industry. Justify your decision**
4. **Industrylifecycleexhibitsthestatusoftheindustryandgivesthecluetoentryandexitfor investors.Elucidate.**
5. **(i)Howdoesratioanalysisreflectthefinancialhealthofa company.**
6. **(ii) What economic factors would you be most interested in forecasting if you were an analyst investigating major consumer durable - goods sales for next year.**
7. **(i)ElucidatehowcompanyanalysisisperformedinFundamentalanalysis.**
8. **(ii) Discuss industry analysis using the relative valuation approach.**
9. **(i)Discuss Graham and Dodd‟s applied valuationtechniques.**
10. **(ii) Discuss the contention that differences in the preference of various firms within the industries limit the usefulness of industry analysis.**
11. **(i)Whywouldyouexpectarelationshipbetweeneconomicactivityandstockpricemovements?**
12. **(ii) Describe two commonly used ways of decomposing ROE into its underlying determinant.**
13. **(i)Distinguish between technical and fundamentalanalysis.**
14. **(ii) Fundamental analysis provides an analytical framework for rational investment decision making. Explain**
15. **9.(i) Present a detailed account on the Markowitz‟s risk diversification.**
16. **(ii) Consider an industry of your choice and make an industry analysis explaining various steps involved.**
17. **10.(i) Discuss the key tools in company analysis.**
18. **(ii) Explain the concept of Industry Life Cycle. Describe the different stages in the Industry Life Cycle**

UNIT-IV

PART-A

1. **Differentiate fundamental analysis from technicalanalysis.**

While a **fundamental analysis** of security accounts for an array of factors, **technical analysis** solely takes historical data directly related to the particular stock into account. That is the primary **difference** between **fundamental analysis** and **technical analysis**.

2. **Explain the importance of Oscillators in technicalanalysis.**
   In addition to buy and sell signals, **oscillators** can signal that something is amiss with the current trend or that the current trend is about to change. Even though **oscillators** can generate their own signals, it is **important** to use these signals in conjunction with other aspects of **technical analysis**.

3. **Whatdoyouinferfromthemovingaveragetheoryoftechnicalanalysis**?

Moving average is a simple, **technical analysis** tool. **Moving averages are** usually calculated to identify the trend direction of a stock or to determine its support and resistance levels. ... So, a 200-day **moving average will** have a much greater degree of lag than a 20-day MA because it contains prices for the past 200 days.

4.How is PE ratio used to interpret growthopportunities?

Investors not only **use** the **P/E ratio** to determine a stock's market value but also in determining future earnings **growth**. For example, if earnings are expected to rise, investors might expect the company to increase its dividends as a result. Higher earnings and rising dividends typically lead to a higher stock price.

5. How is moving averagecomputed?

The **moving average** is **calculated** by adding a stock's prices over a certain period and dividing the sum by the total number of periods. For example, a trader wants to **calculate** the **SMA** for stock ABC by looking at the high of day over five periods.

6.What is technicalanalysis?

Technical analysis is the study of the past price movements of an individual share or the market as a whole. ... The argument in support of **technical analysis** is that all buying, selling, rumours, and information is going to be factored into the price of a share as people act on that information.

7. **Define RSI and itsusage.**

The relative strength index (**RSI**) is a momentum indicator used in technical analysis that measures **the** magnitude of recent price changes to evaluate overbought or oversold conditions in **the** price of a stock or other asset.

8. **How do the leverage policies affect the companyperformances?**

A company needs financial capital to operate its business. For most companies, financial capital is raised by issuing debt securities and by selling common stock. The amount of debt and equity that makes up a company's capital structure has many risk and return implications. Therefore, corporate management must use a thorough and prudent process for establishing a company's target capital structure. The capital structure is how a firm finances its operations and growth by using different sources of funds.

9. **What patterns helps us identify the trendreversal?**

Capturing trending movements in a stock or other type of asset can be lucrative. However, getting caught in a reversal is what most traders who pursue trendings stock fear. A reversal is anytime the trend direction of a stock or other type of asset changes. Being able to spot the potential of a reversal signals to a trader that they should consider exiting their trade when conditions no longer look favorable. Reversal signals can also be used to trigger new trades, since the reversal may cause a new trend to start.

10. **What do you mean by supportlevel?**

Support, or a **support level**, refers to the price **level** that an asset **does** not fall below for period of time. An asset's **support level** is created by buyers entering the market whenever the asset dips to a lower price.

11. **What do you mean by resistancelevel?**

However, after a certain point of time, the share price shoots up so much that the stock starts looking costly. This is when, many traders sell to book profits. As a result, the stock stops gaining and starts to fall. This price **level** is called the **resistance level**.

12. **What oscillatorsindicate?**

What Does The Stochastic **Oscillator** Tell You? The stochastic **oscillator** is range-bound, meaning it is always between 0 and 100. This makes it a useful indicator of overbought and oversold conditions. Traditionally,. readings over 80 are considered in the overbought range, and readings under **20** are considered oversold.

13.What is odd lottrading?

An **odd** lotter is an investor who purchases shares or other securities in small or unusual quantities. **Stocks** are typically **traded** in increments of 100 shares, a quantity known as a round **lot** or board **lot**.

14. **What is short sale?**

A short sale is the sale of an asset or stock the seller does not own. It is generally a transaction in which an investor sells borrowed securities in anticipation of a price decline; the seller is then required to return an equal number of shares at some point in the future. In contrast, a seller owns the security or stock in a long position.

15. **What is Beta?**

Beta is a measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole. Beta is used in the capital asset pricing model (CAPM), which describes the relationship between systematic risk and expected return for assets (usually stocks). CAPM is widely used as a method for pricing risky securities and for generating estimates of the expected returns of assets, considering both the risk of those assets and the cost of capital.

PART- B QUESTIONS

1. **What are the important points that you will be taking into account while doing Technical analysis? 2.(i) Is Technical analysis a substitute for fundamental analysis? Discuss.**
(ii) Discuss about the technical analysis as a tool for security selection.
3. Whatarethepremisesoftechnicalanalysis?Whatarethedifferencebetweentechnicalan d fundamentalanalysis?
4. (i)Explain efficient markettheory.
(ii) Describe the Dow Theory and its 3 components. Which component is most important?
5. HowwouldyouuseROCtopredictthestockpricemovement.Kindlyelucidatewithexample.
6. (i)Chartpatternsarehelpfulinpredictingthestockpricemovementcomment.
(ii) Critically examine the Elliot wave Principle of stock market prediction.
7. ExplaintheconceptofEMHanddiscussitsimplicationforinvestmentpolicyasitapplies to fundamental and technicalanalysis.
8. (i)Discusswhymosttechniciansfollowseveraltechnicalrulesandattempttoderiveaconsensus.
(ii) Briefly discuss the problems related to the fundamental analysis that are considered advantages for technical analysis.
9. (i)WhatdoestheEMHimplyfortheuseoftechnicalandfundamentalanalysis?
(ii) Explain the Weak form of the efficient market hypothesis. Describe the empirical test used for testing the weak form efficiency
10. "Movingaveragesnotonlysmoothensthedata,butalsopredictthemarket".Discuss

UN I T – V

PART-A

1. ExplainCAPM.

The **Capital Asset Pricing Model** (**CAPM**) describes the relationship between systematic risk and expected return for assets, particularly stocks. **CAPM** is widely used throughout finance for pricing risky securities and generating expected returns for assets given the risk of those assets and cost of capital.

2.How are the portfoliosevaluated?

Portfolio evaluation comprises two functions: performance measurement and performance **evaluation**. ... While **evaluating** the performance of a **portfolio** the return earned on the **portfolio** has to be **evaluated** in the context of the risk associated with that **portfolio**.

3.What is an indexfund?

As the name suggests, an Index Mutual Fund invests in stocks that imitate a stock market index like the NSE Nifty, BSE Sensex, etc. These are passively managed funds which means that the fund manager invests in the same securities as present in the underlying index in the same proportion and doesn't change the portfolio composition. These funds endeavor to offer returns comparable to the index that they track.

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4. What is the difference between SML ANDCML.?

The **SML** is derived from the **CML**. While the **CML** shows the rates **of** return **for** a specific portfolio, the **SML** represents the market's risk and return at a given time, and shows the expected returns **of** individual assets.

5.How is Beta computed usingCAPM?

A security's **beta** is calculated by dividing the product of the covariance of the security's returns and the market's returns by the variance of the market's returns over a specified period. The **beta** calculation is used to help investors understand whether a stock moves in the same direction as the rest of the market.

6.**What do you mean by diversification?**

The traditional theory laid down diversification as a technique of selection of securities in a portfolio. This is called "Random diversification" or "Simple diversification," on the basis of straight rule of "two is a better than one." Simple diversification on Random basis was found to be more remunerative by researchers and the number of scrips in a portfolio of individuals is to be around 10-15 securities.

7. **Explain the constraints in the formation ofobjectives.**

Specify Measure of Risk
Investor's Willingness
Investor's Ability
Desired Return
Required Return

8. **What is superfluousdiversification?**

Superfluous diversification refers to the addition of **unnecessary** components to an already well-**diversified** portfolio.

9. **State Jensenmeasure**

The Jensen's measure, or Jensen's alpha, is a risk-adjusted performance measure that represents the average return on a portfolio or investment, above or below that predicted by the capital asset pricing **model** (CAPM), given the portfolio's or investment's **beta** and the average market return.

10. **What do you mean by riskaversion?**

A risk averse investor is an investor who prefers lower returns with known risks rather than higher returns with unknown risks. In other words, among various investments giving the same return with different level of risks, this investor always prefers the alternative with least interest.

11. **What is a open ended fund and closed endedfund?**

A **closed-end fund** has a fixed number of shares offered by an **investment company** through an initial public offering. **Open-end funds** (which most of us think of when we think mutual **funds**) are offered through a **fund** company that sells shares directly to investors

12. **What is entry and exit load in mutualfund?**

Entry load can be said to be the amount or fee charged from an investor while entering a scheme or joining the company as an investor. **Exit load** is a fee or an amount charged from an investor for **exiting** or leaving a scheme or the company as an investor.

13. **What is gilt edgedfund?**

Gilt-edged securities are high-grade investment bonds offered by governments and large corporations as a method of borrowing **funds**. The issuing institutions typically boast strong track records of consistent earnings that can cover dividend or interest payments.

14. **State Treynor‟sindex**

The **Treynor Index** measures the risk-adjusted performance of an investment portfolio by analyzing a portfolio's excess return per unit of risk. In the case of the **Treynor Index**, excess return refers to the return earned above the return that could have been earned in a risk-free investment

15. What are the criteria for evaluation ofportfolio?

*Problems of historical and cultural development of East Asia (including historic-cultural tendencies in various historical periods, peculiarities of philosophic-religious systems, ethnic development, visual and applied art, etc.)

* Social structures, social and socio-politic peculiarities of development of East Asian states, foreign Asian diasporas

* Governmental and political systems, the systems of states administration (including in forms of separate regions (provinces, prefectures), local authorities, political parties and groups)

* Socio-economic and economic peculiarities of development of East A

PART- B QUESTIONS

1. (i)Fromthegivendata,evaluatetheportfoliosusingSharpe,TreynorandJensen"smodel.

	Portfolio A	Portfolio B	Portfolio C
Return	20%	25%	18%
Beta	1.5	1.6	1.4
Std. Deviation	5%	6%	4%
Market return	12%		
Risk free rate	7%		

(ii)The following three portfolios provide the particulars given below .
Portfolioaverageannualreturn,standarddeviation,correlationco-efficient A 18 27 0.8

B	14	18	0.6
C	15	8	0.9
MARKET	13	12	-

RISK free rate of interest 9%
i. ranktheseportfoliosusingsharpe"sandtreynor"smethods
ii. Compare both theindices

2. Many people advocate mutual funds for small investors. They suggest the best strategy forsmall investors invest in suitable mutual funds scheme and hold them. What do you think of thisadvice?

3. WhatarethebasicassumptionsofCAPM.WhataretheadvantagesofadoptingCAPMmodelint he portfolio management. How can securities be evaluated with the help of the CAPMtheory?

4. (i)Discuss the process of portfolioconstruction.
a. Explain the different stages involved in portfolio management.

5.(i)Enumerate the various measures used for portfolio evaluation and explain how it is interpreted.
(ii) What are the prominent mutual fund schemes available in India? Explain its features

6. (i)Shouldyoucareabouthowwella mutualfundisdiversified?WhyorWhynot?
(ii) Discuss the growth of the mutual funds in India.

7. (i)DistinguishbetweenCAPMandArbitragepricingtheor y. (ii)Explain about portfoliorevision.

8. Explainthestepsinportfolioconstructionsaspertraditionalapproaches.

9. What do you mean bydiversification?

10.Explain the constraints in the formation ofobjectives.