ULOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP

SIXTH SEMESTER – APRIL 2010

BC 6602/CR 6602 - PORTFOLIO MANAGEMENT

Date & Time: 17/04/2010 / 9:00 - 12:00 Dept. No. Max. : 100 Marks

PART – A

ANSWER ALL QUESTIONS **(10 x 2 = 20 marks)**

1. Write short notes on yield to maturity.
2. What do you mean by portfolio management?
3. What is meant by government bonds?
4. What is security market line?
5. What is meant by deep discount bonds?
6. Write short notes on capital return.
7. What is constant ratio plan?
8. Calculate the Earnings per share from the following data:

   Net profit before tax Rs 1,00,000,

   Taxation at 50% of net profit.

   10% preference share capital (Rs 10 each) Rs 1,00,000.

   Equity share capital (Rs 10 each) Rs 1,00,000.
9. A bond of Rs 10,000 bearing a coupon rate 14% and redeemable in 9 years at par is being traded at Rs.10,800.Find out the Yield to maturity of bond.
10. You are thinking of acquiring some shares of ABC Ltd. The rate of return are as follows:

POSSIBLE RATE OF RETURN	PROBABILITY
0.05	0.20
0.10	0.40
0.08	0.10
0.11	0.30

Calculate the expected rate of return.

PART – B

ANSWER ANY FIVE QUESTIONS **(5 x 8 = 40 marks)**

11. Explain the steps involved in Investment management process?
12. A bond of Rs.1,000 bearing a coupon rate of 14% p.a payable half yearly is redeemable after 6 years at par .Find out the value of the bond given that the required rate of return is 16%.
13. What is CAPM model? State its assumption.
14. What are the various investment alternatives available?

(P.T.O)

15. What are the objectives of investment?

16. What are the reasons for issuing bonds?

17. The return of two assets under four possible state of nature is given below.

State of nature	Probability	Return on asset 1	Return on asset 2
1	0.10	5%	0%
2	0.30	10%	8%
3	0.50	15%	18%
4	0.10	20%	26%

Calculate the expected rate of return and risk on asset 1 and asset 2.

18. Consider the following information for three mutual funds A,B,C.

MUTUAL FUNDS	MEAN RETURN(%)	STANDARD DEVIATION(%)	BETA	MARKET INDEX
A	12	18	1.1	11
B	10	15	0.9	17
C	13	20	1.2	1.0

The mean risk free rate was 6%.Calculate the Treynor measure for the three mutual funds and the market index.

PART – C

ANSWER ANY TWO QUESTIONS: (2 x 20 = 40 marks)

19. Discuss the different types of risk.

20. Explain fundamental analysis in detail.

21. As an investment manager you are given the following information.

Investment in equity shares of	Initial price	Dividend	Market price at the end of the year	Beta risk factor
Infer India ltd	Rs 28	Rs 4	Rs 60	0.7
Godrej India ltd	Rs 42	Rs 4	Rs 75	0.6
Exon ltd	Rs 62	Rs 4	Rs 145	0.5
Government bonds risk free return may be considered at 16%	Rs 600	Rs 4	Rs 610	0.99

You are required to calculate

i. Expected rate of return of each security in portfolio using CAPM model.

ii. Average expected return of the portfolio.

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