SRM VALLIAMMAI ENGINEERING COLLEGE

(An Autonomous Institution)

SRM Nagar, Kattankulathur - 603 203

DEPARTMENT OF MANAGEMENT STUDIES

QUESTION BANK

III SEMESTER

PBA205 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Regulation – 2023

Academic Year 2025 - 2026

Prepared by

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	UNIT – I – INTRODUCTION			
	SYLLABUS: Investment - Meaning - Financial and economic meaning of Investment -Characteristics and objectives of Investment - Investment Process - Investment alternatives - Investment Information - Choice and Evaluation - Risk and return concepts.			
	PART- A			
S.NO	**QUESTIONS**	**COMPETENCE**	**BT LEVEL**	**CO LEVEL**
1.	Define Investment.	Remembering	Level 1	CO1
2.	Differentiate Investor and Speculator.	Understanding	Level 2	CO1
3.	What are the sources of investment information?	Remembering	Level 1	CO1
4.	Infer the basis for selection of Mutual funds.	Understanding	Level 2	CO1
5.	Outline the characteristics of common stock.	Understanding	Level 2	CO1
6.	Define Risk.	Remembering	Level 1	CO1
7.	Outline the features of preference shares.	Understanding	Level 2	CO1
8.	Why are warrants issued?	Remembering	Level 1	CO1
9.	Distinguish between Investment and Gambling.	Understanding	Level 2	CO1
10.	What is Commercial paper?	Remembering	Level 1	CO1
11.	Define negotiable security.	Remembering	Level 1	CO1
12.	Outline the objectives of an Investment.	Understanding	Level 2	CO1
13.	Define security as per Security Contract Regulation Act.	Remembering	Level 1	CO1
14.	Infer -Treasury Bills.	Understanding	Level 2	CO1
15.	What do you mean by Speculation?	Remembering	Level 1	CO1
16.	Classify the various types of risk.	Understanding	Level 2	CO1
17.	List the tax sheltered schemes available in the market.	Remembering	Level 1	CO1
18.	Distinguish between systematic and unsystematic risk.	Understanding	Level 2	CO1
19.	Recall the meaning of Mutual Fund.	Remembering	Level 1	CO1
20.	Interpret the reasons for investing in Gold, Silver and Real Estate.	Understanding	Level 2	CO1
21.	Define Sweat equity.	Remembering	Level 1	CO1
22.	Infer - Financial Risk.	Understanding	Level 2	CO1
23.	What is Pre-emptive rights?	Remembering	Level 1	CO1
24.	Outline the meaning of Growth shares.	Understanding	Level 2	CO1

<table>
<tr><td></td><td colspan="3">PART- B</td><td></td><td></td><td></td></tr>
<tr><td>S.NO</td><td colspan="2">QUESTIONS</td><td></td><td>COMPETENCE</td><td>BT LEVEL</td><td>CO LEVEL</td></tr>
<tr><td>1.</td><td>(i)</td><td colspan="2">Investment and speculation are somewhat different and yet similar in certain respect - Relate the statement. (8)</td><td>Applying</td><td>Level 3</td><td>CO1</td></tr>
<tr><td></td><td>(ii)</td><td colspan="2">Compile the objectives for an investor to invest their funds in stock market. (8)</td><td></td><td></td><td></td></tr>
<tr><td>2.</td><td colspan="3">Examine the various choices of Investment alternatives Available for an Investor.</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td>3.</td><td colspan="3">Show your understanding in detail about the various types of risk.</td><td>Applying</td><td>Level 3</td><td>CO1</td></tr>
<tr><td>4.</td><td>(i)</td><td colspan="2">Analyse the trade- off concept between risk and return in Investments. (8)</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td></td><td>(ii)</td><td colspan="2">Consider the return given for a security X. Calculate the SD of a security & Average Return. (8)
<table><tr><th>Return</th><th>Probability</th></tr><tr><td>10</td><td>0.1</td></tr><tr><td>20</td><td>0.2</td></tr><tr><td>30</td><td>0.4</td></tr><tr><td>40</td><td>0.2</td></tr><tr><td>50</td><td>0.1</td></tr></table></td><td></td><td></td><td></td></tr>
<tr><td>5.</td><td colspan="3">' Mutual funds offer best form of investment.' – Illustrate</td><td>Applying</td><td>Level 3</td><td>CO1</td></tr>
<tr><td>6.</td><td colspan="3">Analyse the various types of bond and its features.</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td>7.</td><td colspan="3">Compile the features of Equity shares, Preference shares and Debentures.</td><td>Applying</td><td>Level 3</td><td>CO1</td></tr>
<tr><td>8.</td><td colspan="3">There are two securities A and B.
<table><tr><th>Criteria</th><th>Security A</th><th>Security B</th></tr><tr><td>Expected Return</td><td>16</td><td>12</td></tr><tr><td>SD</td><td>15</td><td>8</td></tr></table>Correlation Coefficient 0.6. Find the portfolio risk & return if A & B has weights of 0.6 & o.4 respectively.</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td>9.</td><td colspan="3">Categorise the different types of preference shares.</td><td>Analysing</td><td>Level 4</td><td>CO 1</td></tr>
</table>

<table>
<tr><td>10.</td><td colspan="2">A bond of Rs.1000 face value bearing a Coupon rate of 12% will mature after 7 years.
(i) What is the value of the bond if the discount rate is14%?
(ii) What is the value of the bond if the discount rate is 12%?</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td rowspan="2">11.</td><td>(i)</td><td>Write in detail about Warrants.</td><td rowspan="2">Applying</td><td rowspan="2">Level 3</td><td rowspan="2">CO1</td></tr>
<tr><td>(ii)</td><td>Consider two bonds A and B.
<table><tr><th>Particulars</th><th>Bond A</th><th>Bond B</th></tr><tr><td>Face Value</td><td>1000</td><td>1000</td></tr><tr><td>Coupon rate</td><td>7%</td><td>8%</td></tr><tr><td>Required</td><td>6%
6% Rate</td><td></td></tr><tr><td>Maturity</td><td>4 years</td><td>4 years</td></tr></table>
Find the Intrinsic Value & Duration of Bond.</td></tr>
<tr><td>12.</td><td colspan="2">“Adequate information is required for the investor to carry out his investment programme” - Comment.</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td>13.</td><td colspan="2">The market price of the security & Index value are given below. Find systematic risk (β) and Unsystematic risk (α).
<table><tr><th>Date</th><th>Security Index Market Price</th><th>Market Value</th></tr><tr><td>5</td><td>597.80</td><td>904.95</td></tr><tr><td>6</td><td>570.80</td><td>854.75</td></tr><tr><td>7</td><td>582.95</td><td>874.25</td></tr><tr><td>8</td><td>559.85</td><td>847.95</td></tr><tr><td>9</td><td>554.60</td><td>849.10</td></tr><tr><td>10</td><td>545.10</td><td>835.80</td></tr><tr><td>11</td><td>519.15</td><td>816.75</td></tr><tr><td>12</td><td>560.70</td><td>843.55</td></tr><tr><td>13</td><td>560.95</td><td>835.55</td></tr><tr><td>14</td><td>597.40</td><td>839.50</td></tr></table></td><td>Applying</td><td>Level 3</td><td>CO1</td></tr>
<tr><td>14.</td><td colspan="2">“The investment process involves a series of activities starting from the policy formulation” - Examine.</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
<tr><td>15.</td><td colspan="2">Prem is considering the purchase of a bond currently selling at Rs.878.50. The bond has four years of maturity,face value of Rs.1000 and 8% coupon rate. The next annual Interest payment is due after one year from today. The required rate of return is10%.
(i) Compute the intrinsic value (present value) of the bond. Should Prem buy the bond?
(ii) Compute the yield to maturity of the bond.</td><td>Applying</td><td>Level 3</td><td>CO1</td></tr>
<tr><td>16.</td><td colspan="2">The returns on securities A and B are given below:
<table><tr><th>Probability</th><th>SecurityA</th><th>SecurityB</th></tr><tr><td>0.5</td><td>4</td><td>0</td></tr><tr><td>0.4</td><td>2</td><td>3</td></tr><tr><td>0.1</td><td>0</td><td>3</td></tr></table>
i) What is the expected return for security A and B.? The security has to be selected on the basis of return and risk.
ii) If the investor invests an equal proportion</td><td>Analysing</td><td>Level 4</td><td>CO1</td></tr>
</table>

		on both the scrips, what would be the return? iii) If the proportion is changed to 25 % and 75 % what would be the return?			
17.	**(i)**	Compute the price of Rs.1000 Zero Coupon bond with yield to maturity of 18% and 10 years to maturity. What is YTM of this bond if its price is Rs.220? (8)	Applying	Level 3	CO1
	(ii)	Anil has bought the Everest company stock that has paid Rs. 3 as dividend per share during the last financial year. He anticipates two situations either a 5 % decline in the dividend or 5 % growth in the dividend in the next year. His anticipated return is 20%. Compute the price for both the situations. (8)			

UNIT – II – SECURITIES MARKET

SYLLABUS:

Financial Market - Segments – Types - Participants in financial Market – Regulatory Environment, Primary Market – Methods of floating new issues, Book building – Role of primary market – Regulation of primary market, Stock exchanges in India – BSE, OTCEI, NSE, ISE, Regulations of stock exchanges – Trading system in stock exchanges- Online –SEBI.

PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Define Financial Markets.	Remembering	Level 1	CO2
2.	Identify the players in Financial Markets.	Understanding	Level 2	CO2
3.	What is Capital Market?	Remembering	Level 1	CO2
4.	Outline the meaning of Book building.	Understanding	Level 2	CO2
5.	Infer - new issue market.	Understanding	Level 2	CO2
6.	Identify the features of New Issue Market	Remembering	Level 1	CO2
7.	Outline the meaning of IPO.	Understanding	Level 2	CO2
8.	What is insider trading??	Remembering	Level 1	CO2
9.	Classify the methods of floating new issues.	Understanding	Level 2	CO2
10.	What do you mean by Rights issue?	Remembering	Level 1	CO2
11.	What is Listing?	Remembering	Level 1	CO2

12.	Infer -Secondary Market.	Understanding	Level 2	CO2

13.	State the meaning of Depositories.	Remembering	Level 1	CO2
14.	Distinguish between capital market and money market.	Understanding	Level 2	CO2
15.	List the main objectives of Capital issue..	Remembering	Level 1	CO2
16.	Compare BSE and NSE.	Understanding	Level 2	CO2
17.	What is Private Placement?	Remembering	Level 1	CO2
18.	Red Herring Prospectus – Infer	Understanding	Level 2	CO2
19.	Why do companies get their shares listed on the stock exchange?	Remembering	Level 1	CO2
20.	Outline the functions of SEBI.	Understanding	Level 2	CO2
21.	What is dematerialization?	Remembering	Level 1	CO2
22.	Interpret rolling settlement in trading of securities.	Understanding	Level 2	CO2
23.	List the causes of Insider trading.	Remembering	Level 1	CO2
24.	Infer - carry forward transaction.	Understanding	Level 2	CO2

	PART- B				
S.NO	**QUESTIONS**		**COMPETENCE**	**BT LEVEL**	**CO LEVEL**
1.	Compile the various segments of Financial Markets.		Applying	Level 3	CO2
2.	Analyse the recent reforms in Indian capital market for making it as an efficient market.		Analysing	Level 4	CO2
3.	Compile the investor protection measures taken by the regulatory authorities in primary market.		Applying	Level 3	CO2
4.	**(i)**	Outline about the various parties involved in the new issue. (8)	Analysing	Level 4	CO2
	(ii)	Categorize the functions of New Issue market. (8)			
5.	Analyse the role of SEBI in primary and secondary market.		Analysing	Level 4	CO2
6.	Examine the process of Book building.		Analysing	Level 4	CO2
7.	Classify the various ways in which an initial public offer can be made.		Applying	Level 3	CO2
8.	Examine how does NSDL functions? List out the advantages of the depository mode of transaction.		Analysing	Level 4	CO2

9.	The strength of the economy depends upon the capital market- Illustrate.	Applying	Level 3	CO2
10.	Illustrate the major areas controlled by SEBI in the secondary market.	Analysing	Level 4	CO2

11.	Write the functions of Stock exchange.	Applying	Level 3	CO2
12.	Examine the features of NSE, BSE and ISE.	Analysing	Level 4	CO2
13.	Identify the steps taken by SEBI to protect the investors in the secondary market.	Applying	Level 3	CO2
14.	Analyze the features and benefits of OTCEI.	Analysing	Level 4	CO2
15.	Compile the need for various stock market indices.	Applying	Level 3	CO2
16.	"Investors Protection is the major concern of Securities Exchange Board of India"-Review the various steps taken by SEBI on this perspective.	Analysing	Level 4	CO2
17.	"Stock exchange provides the linkage between the savings in the household sector and the investments in the corporate sector" - Illustrate.	Applying	Level 3	CO2

UNIT – III – FUNDAMENTAL ANALYSIS

SYLLABUS:

Fundamental Analysis - EIC Framework - Economic Analysis – Economic forecasting and stock Investment Decisions – Forecasting techniques. Industry Analysis: Industry classification, Industry life cycle – Company Analysis - Measuring Earnings – Forecasting Earnings.

PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Define Fundamental Analysis.	Remembering	Level 1	CO3
2.	Outline the term GDP.	Understanding	Level 2	CO3
3.	List the leading indicators of the economy.	Remembering	Level 1	CO3
4.	Interpret the uses of Financial ratios.	Understanding	Level 2	CO3
5.	Infer - EIC framework.	Understanding	Level 2	CO3
6.	List some examples of lagging indicators of the economy.	Remembering	Level 1	CO3
7.	Outline the characteristics of coincidental and lagging indicators of the economy.	Understanding	Level 2	CO3
8.	List the Economic forecasting tools.	Remembering	Level 1	CO3
9.	Relate the term Industry analysis.	Understanding	Level 2	CO3

10.	What is Operating efficiency?	Remembering	Level 1	CO3
11.	What is SWOT analysis?	Remembering	Level 1	CO3

12.	Infer – EPS.	Understanding	Level 2	CO3
13.	What do you mean by Cyclical growth industry?	Remembering	Level 1	CO3
14.	Interpret Economic forecasting.	Understanding	Level 2	CO3
15.	What is P/E ratio?	Remembering	Level 1	CO3
16.	Infer -Opportunistic building model.	Understanding	Level 2	CO3
17.	List the tools used in Company analysis.	Remembering	Level 1	CO3
18.	Identify any four factors that is most important in appraising companies in different industries.	Understanding	Level 2	CO3
19.	Label the ratios used in Company analysis.	Remembering	Level 1	CO3
20.	Differentiate between Value investing vs. Growth investing.	Understanding	Level 2	CO3
21.	What is Diffusion Index?	Remembering	Level 1	CO3
22.	Identify why industry analysis is important?	Understanding	Level 2	CO3
23.	Write the elements of Porter's five forces model.	Remembering	Level 1	CO3
24.	Inter - Intrinsic Value.	Understanding	Level 2	CO3

	PART- B			
S.NO	**QUESTIONS**	**COMPETENCE**	**BTLEVEL**	**CO LEVEL**
1.	Illustrate the concept of EIC framework.	Applying	Level 3	CO3
2.	Analyze the macro-economic factors contributing for Economic analysis.	Analysing	Level 4	CO3
3.	Interpret the various tools of Economic forecasting.	Applying	Level 3	CO3
4.	Examine the need and importance of Economic Analysis.	Analysing	Level 4	CO3
5.	Analyse the need and concept of Industry analysis.	Analysing	Level 4	CO3
6.	As an analyst, examine at what stage of Industry life cycle, the investments are more attractive.	Analysing	Level 4	CO3
7.	"Fundamental analysis provides an analytical framework for rational investment decision making" - Explain the statement.	Applying	Level 3	CO3

8.	Outline the factors to be considered important for Industry analysis.	Analysing	Level 4	CO3
9.	Explain the various stages of Industry life cycle.	Applying	Level 3	CO3
10.	Examine the various economic indicators that predict the stock market movements in the economy.	Analysing	Level 4	CO3
11.	Apply Porter's five forces model for Industry analysis.	Applying	Level 3	CO3
12.	Analyse the tools used in Company analysis.	Analysing	Level 4	CO3
13.	Interpret the factors influencing Company analysis.	Applying	Level 3	CO3
14.	"Price on the Stock market may not fully reflect a stock's real value" - Examine.	Analysing	Level 4	CO3
15.	"Ratio analysis reflect the financial health of a Company" – Explain the statement.	Applying	Level 3	CO3
16.	Examine the methods of measuring and forecasting earnings in company analysis.	Analysing	Level 4	CO3
17.	Apply Graham and Dodd's investor ratios with respect to Fundamental analysis.	Applying	Level 3	CO3

UNIT – IV – TECHNICAL ANALYSIS

SYLLABUS:

Technical Analysis - Concepts - Fundamental Analysis Vs Technical Analysis - Charting methods - Market Indicators. Trend - Trend reversals - Patterns - Moving Average - Exponential moving Average – Oscillators – Market Indicators – Efficient Market theory - Basic Concepts - Random Walk Theory - Weak form of EMH - Semi strong form - Strong Form - The Essence of the Theory - Market Inefficiencies.

PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	State the meaning of Technical Analysis.	Remembering	Level 1	CO4
2.	Outline the importance of Technical Analysis.	Understanding	Level 2	CO4
3.	List any two assumptions of Technical Analysis.	Remembering	Level 1	CO4
4.	List the generally used technical tools.	Understanding	Level 2	CO4
5.	Classify the trends in stock prices.	Understanding	Level 2	CO4
6.	How is moving average method used in technical analysis?	Remembering	Level 1	CO4
7.	Differentiate Fundamental analysis and technical analysis.	Understanding	Level 2	CO4
8.	What are Oscillators?	Remembering	Level 1	CO4
9.	Who are liquidity traders?	Understanding	Level 2	CO4

10.	Recall the importance of Oscillators in technical analysis.	Remembering	Level 1	CO4
11.	What do you mean by Dow theory?	Remembering	Level 1	CO4
12.	Infer - Volume Indicators.	Understanding	Level 2	CO4

13.	Define RSI and its usage.	Remembering	Level 1	CO 4
14.	Compare ROC I and ROC II.	Understanding	Level 2	CO 4
15.	What is MACD?	Remembering	Level 1	CO 4
16.	List the two major market indicators considered as a barometer of Indian capital market.	Understanding	Level 2	CO 4
17.	What is meant by support level and resistance level?	Remembering	Level 1	CO 4
18.	"Efficient frontier" - Infer.	Understanding	Level 2	CO 4
19.	Recall the meaning of Security market line.	Remembering	Level 1	CO 4
20.	Infer - Trend Reversal.	Understanding	Level 2	CO 4
21.	What is Odd Lot Trading?	Remembering	Level 1	CO 4
22.	Interpret - Charts.	Understanding	Level 2	CO 4
23.	How are short sales index used to determine the direction of the market?	Remembering	Level 1	CO 4
24.	List the assumptions of Random Walk theory.	Understanding	Level 2	CO 4

	PART- B			
S.NO	**QUESTIONS**	**COMPETENCE**	**BT LEVEL**	**CO LEVEL**
1.	Interpret the premises of technical analysis.	Applying	Level 3	CO 4
2.	Compare and contrast Technical and Fundamental analysis.	Analysing	Level 4	CO 4
3.	'Chart patterns are helpful in predicting the stock price movement' - Interpret.	Applying	Level 3	CO 4
4.	"The stock market has a life of its own and the study of it rewards the investor" – Analyse the statement.	Analysing	Level 4	CO 4
5.	Interpret the various tools of Technical analysis.	Applying	Level 3	CO 4
6.	Examine briefly about Dow theory and explain its various trends.	Analysing	Level 4	CO 4
7.	Analyse the statistical tools used to measure the risk of securities.	Analysing	Level 4	CO 4

8.	Examine how RSI and ROC indicate the technical strength and weakness of the stock price movement.	Analysing	Level 4	CO 4
9.	"Can stock prices have a support level and resistance level" – Explain the statement.	Applying	Level 3	CO 4
10.	Moving average not only smoothens the data, but also predicts the market – Appraise the statement with an example.	Analysing	Level 4	CO 4

11.	Illustrate the various forms of market efficiency.	Applying	Level 3	CO 4
12.	Analyse in detail about MACD indicator.	Analysing	Level 4	CO 4
13.	Illustrate how volume and breadth of the market indicate the trend of the market.	Applying	Level 3	CO 4
14.	"Oscillators are valuable tools in assessing overbought and oversold position of the market". Analyse.	Analysing	Level 4	CO 4
15.	Interpret how RSI indicate the technical strength and weakness of the stock price movement.	Applying	Level 3	CO 4
16.	Examine the concept of random walk theory. Summarize its implications and limitations.	Analysing	Level 4	CO 4
17.	Illustrate the following terms: i) Bar Chart ii) Line Chart iii) Point and Figure Chart iv) Japanese Candle stick Chart	Applying	Level 3	CO 4

UNIT – V – PORTFOLIO MANAGEMENT

SYLLABUS:

Portfolio Construction – Markowitz Model , The Sharpe Index Model - Capital Asset Pricing Model Theory – Portfolio Evaluation – Sharpe's, Treynor's and Jensen Index - Mutual Funds - Types - Net Asset Value - Portfolio Revision.

PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Define Portfolio.	Remembering	Level 1	CO 5
2.	Infer the term Portfolio Construction.	Understanding	Level 2	CO 5
3.	What are the constraints in the formation of objectives?	Remembering	Level 1	CO 5
4.	Compare the traditional approach and modern approach in Portfolio construction.	Understanding	Level 2	CO 5
5.	Infer - Risk Free Asset.	Understanding	Level 2	CO 5

6.	What is simple diversification?	Remembering	Level 1	CO 5
7.	Interpret "Beta is a better measure of risk than the standard deviation".	Understanding	Level 2	CO 5
8.	What is CAPM?	Remembering	Level 1	CO 5
9.	Distinguish SML and CML.	Understanding	Level 2	CO 5

10.	What is Portfolio evaluation?	Remembering	Level 1	CO 5
11.	What is meant by Mutual funds?	Remembering	Level 1	CO 5
12.	Compare Open-end and Closed-end mutual funds.	Understanding	Level 2	CO 5
13.	Define the term Jensen measure.	Remembering	Level 1	CO 5
14.	Infer Index fund.	Understanding	Level 2	CO 5
15.	Define the term AMC.	Remembering	Level 1	CO 5
16.	Distinguish between Treynor and Sharpe indices of portfolio performance?	Understanding	Level 2	CO 5
17.	How is a Portfolio managed?	Remembering	Level 1	CO 5
18.	Interpret the term NAV.	Understanding	Level 2	CO 5
19.	Define Portfolio revision.	Remembering	Level 1	CO 5
20.	Inter -Passive management.	Understanding	Level 2	CO 5
21.	Why should the investor adopt the formula plans?	Remembering	Level 1	CO 5
22.	Outline the meaning of Formula plans.	Understanding	Level 2	CO 5
23.	What is Rupee cost averaging?	Remembering	Level 1	CO 5
24.	Infer the term Portfolio risk and Covariance.	Understanding	Level 2	CO 5

	PART- B			
S.NO	**QUESTIONS**	**COMPETENCE**	**BTLEVEL**	**CO LEVEL**
1.	Illustrate the process of traditional approach in Portfolio Construction.	Applying	Level 3	CO 5
2.	Analyse the modern approach in the construction of the portfolio.	Analysing	Level 4	CO 5

<table>
<tr>
<td>3.</td>
<td>Stocks L and M have yielded the following returns for the past two years.
<table>
<tr><td rowspan="2">Years</td><td>Return</td><td>%</td></tr>
<tr><td>L</td><td>M</td></tr>
<tr><td>1995</td><td>12</td><td>14</td></tr>
<tr><td>1996</td><td>18</td><td>12</td></tr>
</table>
a) What is the expected return on portfolio made up of 60 % of L and 40 % of M?
b) Find out the standard deviation of each stock.
c) What is the covariance and co-efficient of correlation between stock L and M?
d) What is the portfolio risk of a portfolio made up of 60% of L and 40% of M?</td>
<td>Applying</td><td>Level 3</td><td>CO 5</td>
</tr>
<tr><td>4.</td><td>Examine the Sharpe Index model? How does it differ from the Markowitz model?</td><td>Analysing</td><td>Level 4</td><td>CO 5</td></tr>
<tr><td>5.</td><td>Explain the basic assumptions of CAPM and the advantages of adopting CAPM model in the portfolio management.</td><td>Applying</td><td>Level 3</td><td>CO 5</td></tr>
<tr><td>6.</td><td>Analyse the validity of CAPM theory in the stock market.</td><td>Analysing</td><td>Level 4</td><td>CO 5</td></tr>
<tr><td>7.</td><td>“Mutual funds are best form of investments” - Explain the statement.</td><td>Applying</td><td>Level 3</td><td>CO 5</td></tr>
<tr><td>8.</td><td>Outline the growth of mutual funds in India. What is the need to regulate different types of mutual funds in India?</td><td>Analysing</td><td>Level 4</td><td>CO 5</td></tr>
<tr><td>9.</td><td>The following information is provided regarding the performance of the funds namely Birla Advantage, Sundaram Growth and Sun F & C value for a period of 6 months ending August 1999. The risk free rate of interest is assumed to be 9. Illustrate and rank them with the help of Sharpe Index, Treynor index.
<table>
<tr><th>Particulars</th><th>R_p</th><th>α_p</th><th>β</th></tr>
<tr><td>Birla Advantage</td><td>25.38</td><td>4</td><td>0.23</td></tr>
<tr><td>Sundaram Growth</td><td>25.11</td><td>9.01</td><td>0.56</td></tr>
<tr><td>Sun F & C Value</td><td>25.01</td><td>3.55</td><td>0.59</td></tr>
</table></td>
<td>Applying</td><td>Level 3</td><td>CO 5</td>
</tr>
<tr><td>10.</td><td>Analyse Treynor and Sharpe indices of Portfolio performance? Which do you recommend? Why?</td><td>Analysing</td><td>Level 4</td><td>CO 5</td></tr>
<tr><td>11.</td><td>Interpret the different measures of portfolio performance.</td><td>Applying</td><td>Level 3</td><td>CO 5</td></tr>
<tr><td>12.</td><td>Analyse the scope and objectives of portfolio Management.</td><td>Analysing</td><td>Level 4</td><td>CO 5</td></tr>
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<table>
<tr><td>13.</td><td colspan="2">Pearl and Diamond are the two mutual funds. Pearl has a mean success of .15 and Diamond has .22. The Diamond has double he beta of Pearl fund's 1.5. The Standard deviation is 7. The risk free rate is 8%.
(a) Illustrate the Jensen Index for each fund.
(b) Illustrate the Treynor and Sharpe indices for the funds. Interpret the results.</td><td>Applying</td><td>Level 3</td><td>CO 5</td></tr>
<tr><td rowspan="2">14.</td><td>(i)</td><td>Analyse how CML and SML are constructed.</td><td rowspan="2">Analysing</td><td rowspan="2">Level 4</td><td rowspan="2">CO 5</td></tr>
<tr><td>(ii)</td><td>Draw and explain about "Efficient Frontier".</td></tr>
<tr><td>15.</td><td colspan="2">Mr.Anand is having units in a mutual fund for the past three years. He wants to analyse its performance by comparing it to the market.
<table><tr><th>Particulars</th><th>Fund</th><th>Market</th></tr><tr><td>Return</td><td>70.6</td><td>41.4</td></tr><tr><td>Standard Deviation</td><td>41.31</td><td>19.44</td></tr><tr><td>Risk Free Rate</td><td>2%</td><td>2</td></tr><tr><td>β</td><td>1.12</td><td>___</td></tr></table></td><td>Analysing</td><td>Level 4</td><td>CO 5</td></tr>
<tr><td>16.</td><td colspan="2"><table><tr><th>Portfolio</th><th>Average Annual Return</th><th>Standard Deviation</th><th>Correlation Co-efficient</th></tr><tr><td>A</td><td>18</td><td>27</td><td>0.8</td></tr><tr><td>B</td><td>14</td><td>18</td><td>0.6</td></tr><tr><td>C</td><td>15</td><td>8</td><td>0.9</td></tr><tr><td>Market</td><td>13</td><td>12</td><td>--</td></tr></table>Risk free rate of interest 9%.
Illustrate and rank these portfolios using Sharpe's and Treynor's methods. Compare both the indices.</td><td>Applying</td><td>Level 3</td><td>CO 5</td></tr>
<tr><td>17.</td><td colspan="2">Interpret the selection of optimum Portfolio.</td><td>Applying</td><td>Level 3</td><td>CO 5</td></tr>
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