III Semester M.Com. Degree Examination, January 2019
(CBCS Scheme)
COMMERCE
Paper – 3.5 FB : Portfolio Management

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any seven** sub-questions. **Each** sub-question carries **2** marks. **(7×2=14)**
   a) What are the objectives of portfolio management ?
   b) What is Asset Mix Decision ?
   c) State the assumptions of Markowitz Theory.
   d) What is Arbitrage Process ?
   e) What is Portfolio Revision ?
   f) What is Portfolio Hedging ?
   g) What is efficient market ?
   h) What are Credit Derivatives ?
   i) What is open-ended and closed-ended funds ?
   j) What are Load funds and No-load funds ?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks. **(4×5=20)**

2. Briefly analyse the nature and scope of portfolio management.
3. How are risk and return calculated under Arbitrage Pricing Theory ?
4. The A and B Corporations have the following expected risk and return inputs for the next year. Find out the portfolio risk, if 50% of funds are allocated for each stock.

	A	B
Return	20%	23%
Risk	21%	25%
Correlation coefficient	0.4	

P.T.O.

5. Explain the strategies for managing a bond portfolio.
6. "Indian stock market is efficient". Analyse.
7. Explain the constituents of Mutual Fund Organization.

SECTION – C

Answer **any three** questions. **Each** question carries **12** marks. **(3×12=36)**

8. What are the steps in the traditional portfolio theory ?
9. "Investors are utility maximizers", do you agree ? Explain with the help of suitable example.
10. Consider the characteristics of the following two portfolios.

	Observed Return	Beta	Residual Variance
Portfolio – A	0.18	2.0	0.03
Portfolio – B	0.12	1.5	0.00

The risk-free rate is 0.07. The return on the market portfolio is 0.15. The standard deviation of the market is 0.06.

a) Compute the Jensen Index for portfolio A and B

b) Compute the Sharpe Index for the market portfolio.

c) Compute the Sharpe Index for portfolios A and B.

d) Compute the Treynor Index for the portfolios A and B.

11. "A market may be efficient in weak form but it may not be efficient in semi-strong or strong form of efficiency". Is it possible ?
12. What do you mean by managed portfolio ? Discuss the methods of performance evaluation of managed portfolio.
