



VI Semester B.Com. Examination, May 2017
(CBCS) (Fresh) (2016-17 and Onwards)

COMMERCE

Paper – 6.6 : Elective Paper – IV : Security Analysis and Portfolio
Management

Time : 3 Hours

Max. Marks : 70

Instruction : Answers should be written completely either in **English** or in **Kannada**.

SECTION – A

Answer **any five** sub-questions. Each sub-question carries **2** marks. (5×2=10)

1. a) What is unsystematic risk ?
- b) State any two sources of business risk.
- c) What is capital market line ?
- d) What is portfolio revision ?
- e) State any two benefits of diversification.
- f) What is economic analysis ?
- g) What are global mutual funds ?

SECTION – B

Answer **any three** questions. Each question carries **6** marks. (3×6=18)

2. Distinguish between investment and speculation.
3. State the assumptions of CAPM.
4. From the following calculate expected return for the following portfolio of 5 securities.

Securities	A	B	C	D	E
Amt. of Investment	1,50,000	2,50,000	3,00,000	1,00,000	2,00,000
Expected Return	15%	12%	18%	20%	18%

5. The following table gives an analyst's expected return on two stocks for particular market returns.

Market Return	Aggressive Stock	Defensive Stock
8%	2%	10%
20%	32%	16%

- i) What is the beta of the aggressive stock and defensive stock ?
 - ii) If the risk free rate is 6% and the market return is equally likely to be 8% and 20%, what is the risk premium ?
6. Give the meaning of ADRs, GDRs and FCCBs.

P.T.O.



SECTION - C

Answer **any three** questions. **Each** question carries **14** marks. (3×14=42)

7. The returns of two assets under four possible states of nature are given below.

State of Nature	Probability	Return on Asset 1	Return on Asset 2
1	0.10	5%	10%
2	0.30	10%	18%
3	0.50	15%	24%
4	0.10	20%	20%

- a) What is the expected return on the asset 1 and asset 2 ?
- b) What is the standard deviation of asset 1 and asset 2 ?

8. The following information is available.

	Stock A	Stock B
Expected Return	16%	12%
Standard deviation	15%	8%
Co-efficient of correlation 0.60		

- a) What is the co-variance between Stocks A and B ?
- b) What is the expected return and risk of a portfolio in which A and B have weights of 0.6 and 0.4 ?
- c) What is the expected return and risk of a portfolio in which A and B have equal weights ?

9. The following information is available regarding three mutual funds.

	R_p	σ_p	β
Birla	25.38	4	0.23
Sundaram	25.11	9.10	0.56
Sun	25.00	3.55	0.60

Rank them with the help of Sharpe index and Treysor index.

- 10. Explain the factors to be considered in the company analysis.
- 11. Explain the various investments avenues.