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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.