Q.P. Code :03046

[Time: 2 ½ Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B: 1. **All** questions are **compulsory**.
2. Number at right indicate full marks.

Q.1 Answer any two **15**

1) What are the criteria for investment?

2) What are the factors influencing selection of investment alternative?

3) Explain benefits of depository system.

Q.2 Answer any two **15**

1) What is diversification? Explain reduction of risk through diversification.

2) Mr. Ram wants to invest in company A to B. the return on stock A & B and probability are given below.

Company A		Company B	
Return (%)	Probability	Return (%)	Probability
6	0.1	4	0.1
7	0.25	6	0.2
8	0.3	8	0.4
9	0.25	10	0.2
10	0.1	12	0.1

Calculate standard deviation of both companies and advice Mr. Ram.

3) From the following details calculate Beta of a security Y.

Year	Return on Security (%)	Return on Market Portfolio
1	10	12
2	12	10
1	13	10
4	10	12
5	8	15
6	11	14
7	16	20
8	12	15
9	18	20
10	20	22

Q.3 Answer any two **15**

1) What is portfolio management? Explain objectives of portfolio management.

2) Explain the two approaches to constructing portfolio of securities.

3) Following is the balance sheet of Nirmal Ltd. as on 31st March 2016 :

Liabilities	Rs.	Assets	Rs.
Equity share capital	6,00,000	Land & Building	6,00,000
Reserves & Surplus	4,00,000	Plant & Machinery	5,00,000
8% Debentures	5,00,000	Stock	2,60,000
Creditors	2,00,000	Debtors	3,00,000
Proposed Dividend	60,000	Cash & Bank	1,00,000
	17,60,000		17,60,000

Additional information:

1) Cost of goods sold Rs. 9,00,000
2) Administration Expenses Rs. 1,00,000
3) Sales Rs. 15,00,000
4) Net Profit After Tax Rs. 3,60,000
5) Market Price of the company's share Rs. 60.

Calculate the following ratios

1) Return on Equity
2) Net Profit Margin Ratio
3) Earning Per Share
4) Dividend Yield
5) Long term Debt to Equity Ratio
6) Price Earning Ratio

Q.4 Answer any two **15**

1) Explain various chart patterns.

2) The details of three portfolios are given below. Compare these portfolio on performance using Sharpe and Treynor measures.

Portfolio	Average Return	Standard Deviation	Beta
1	15%	0.25	1.25
2	12%	0.3	0.75
3	10%	0.2	1.1
Market index	12%	0.25	1.2

The risk free return is 9%

3) following are the details of three portfolio

Portfolio	Average Return	Standard Deviation	Beta
1	13%	0.25	1.25
2	12%	0.25	1.75
3	11%	0.2	1
Market index	11%	0.25	1.1

Risk free return is 8%. Compute expected return as per Capital Asset Pricing Model

Q.5 Mr. Mahesh wants to invest Rs.50,000. His age is 35 years and he wants to invest in less risk areas. Suggest him the areas of investment with its merits and demerits. **15**
