Time : 2 ½ Hours **Marks : 75**

N.B. **1. All question are compulsory.**
2. Make suitable assumptions wherever necessary and state the assumptions made.
3. Answer to the same question must be written together.
4. Numbers to the right indicate marks

Q.1 (A) Multiple choice questions (Any 8) **(08)**

1) A well-planned activity of committing funds with the aim of achieving returns is referred to as ______________.
a) speculation b) investment c) gambling d) bidding

2) Depositing money in fixed deposit is an example of ______________ investment.
a) financial b) economic c) group d) social

3) Probability of an event that has no chance of occurrence is always ____________.
a) one b) zero c) between a) & b) d) high

4) The idea of selecting securities in a portfolio based on coefficient correlation of their returns was purported by ______________.
a) William Sharpe b) Harry Markowitz c) Black & Scholes d) Walter

5) ______________ measures how the returns of two risky assets move together.
a) correlation b) standard deviation c) covariance d) both a & b

6) Beta reflects the stock risk for investors which is usually ______________.
a) collective b) individual c) liner d) systematic

7) Single index model is based on _________ paring of securities.
a) direct b) quick c) index d) indirect

8) Constant rupee value plan is a strategy used in __________ portfolio management.
a) active b) passive c) modern d) traditional

9) Study of company's financial statements is a part of ___________ analysis.
a) fundamental b) technical c) moral d) industry

10) As per ___________ form of efficient market hypothesis all public or private information is reflected in the current market prices in stock markets.
a) weak b) strong c) semi-strong d) market

Q.1 (B) State true of false (Any 7) **(07)**

1) Larger expected portfolio returns come only with larger portfolio risk.
2) Residual risk is also called systematic risk.
3) As per CAPM, beta is a static figure.
4) Financial risk is the variability of EBIT.
5) Securities with negative alpha should be immediately purchased.
6) Systematic risk is unavoidable.
7) Repayment of debt will always increase return on net worth.
8) For a technical analyst, odd-lot trading is a breadth indicator.
9) During mature stage of industry life cycle, a company will experience rapid growth in sales and profits.
10) Speculation activity involves uncertain and fluctuating returns.

Q.2 (A) The current price of X Ltd. is Rs. 150. The future prices with probabilities are given below: **(15)**

Future prices (Rs.)	120	150	180	210	240
Probability	0.1	0.2	0.4	0.2	0.1

Assuming that the company will not pay any dividend, you are required to find out expected percentage returns and standard deviation of the stock.

OR

Q.2 (B) Give below are the likely returns in case of shares of K Ltd. and G Ltd. in the various economic conditions. **(15)**

Economic Conditions	Probability	Returns of K Ltd (%)	Returns of G Ltd (%)
High growth	0.25	110	180
Low growth	0.25	130	150
Stagnation	0.30	160	100
Recession	0.20	190	70

1. Which of the companies is risky investment?
2. Mr. Rohit wants you to recommend one of the above two shares for investment.
3. Would your answer change if the probabilities change to 0.40, 0.30, 0.20, 0.10 for various economic seniors.

Q.3 (A) You are presented with the following figures prepared from the audited balance sheet of Alpha Ltd. for the two years. **(15)**

Particulars	Year 1 (Rs.)	Year 2 (Rs.)
Assets		
Debtors	45,000	75,000
Stock	75,000	75,000
Plant & Equipments	13,000	16,000
Buildings	15,000	15,000
	1,48,000	1,81,000
Liabilities		
Long term Loan	16,500	39,000
Trade Creditors	37,500	45,000
Profit & Loss A/c	10,000	13,000
Paid up capital (of Rs. 10 each, fully paid up)	84,000	84,000
	1,48,000	1,81,000
Sales (all sales are credit sales)	2,25,000	3,00,000
Gross Profit	37,500	1,12,500
Net Profit	7,500	10,500
Dividend Paid	4,500	8,500

The opening stock at the beginning of year 1 was Rs. 60,000. You are required to show in respect of each year the following ratios:

i) Current ratio,
ii) Debtors Turnover Ratio,
iii) Stock turnover rate.
iv) Debt Equity Ratio.
v) Net Profit Ratio.

OR

Q.3 (B) Explain meaning and principles of Technical Analysis. **(08)**
Q.3 (C) State any five chart patterns. **(07)**

Q.4 (A) Following are the details of three portfolio: **(15)**

Portfolio	Average Return (%)	Standard Deviation (%)	Beta
A	13	25	1.25
B	12	25	0.75
C	11	20	1.10
Market Index	11	25	1.00

The risk-free rate is 8%. You are required to compare these portfolios on performance using the Sharpe's, Treynor's and Jensen's Measure and rank them.

OR

Q.4 (B) What is the meaning of Portfolio Management? Explain the advantages of Portfolio Management? (08)
Q.4 (C) Explain the types of investors (07)

Q.5 (A) What do you mean by company analysis? Explain in brief. (08)
Q.5 (B) What are leverages? Explain types of leverages in detail. (07)

OR

Q.5 (C) Short notes (Any 3 of 5) (15)
1) Distinguish between systematic and unsystematic risk
2) Business risk
3) Returns of portfolio
4) Efficient market hypothesis
5) Capital asset pricing model
