

SVKM's NMIMS
School of Distance Learning

Programme: PGDFM

Academic year: 2012 – 2013

Subject: Capital Market & Portfolio Management

Date: 03.01.2013

Semester: III

Course: New

Marks 70

Time: 3.00 p.m. to 6.00 p.m.

Instructions:

Candidates should read carefully the instructions printed on the question paper and on the cover of the Answer book, which is provided for their use.

NB:

1. All 4 questions are compulsory.
2. Candidates should attempt questions as per the internal options available.

Q.1. Attempt any two out of four (10)

a) SCM provides the following data, compute beta of security j :

$$\sigma_j = 12\%$$

$$\sigma_m = 9\%$$

$$C \text{ or } \rho_{jm} = +0.72$$

- b) Short note on APT
- c) Von Neumann Morgenstern Utility Function (Short Note)
- d) Short note on Markowitz model

Q.2. Attempt any two out of five (10)

- a) What are the assumptions of CAPM
- b) Write short note on Corporate Governance
- c) What do you mean by reward to Volatility ration? Explain.
- d) What are the benefits of an efficient market?
- e) Explain the capital Market Instruments?

Q.3. Attempt any three out of five (30)

- a) Mr. RKV invested in equity shares of Wipro Ltd., its anticipated returns and associated probabilities are given below:

Returns%	-15	-10	5	10	15	20	30
Probability	0.05	0.10	0.15	0.25	0.30	0.10	0.05

You are required to calculate the expected rate of return and risk in terms of standard deviation.

b) Calculate Sharpe and Treynor ratios for two hypothetical funds

Fund	Returns	Risk-free rate	Excess returns	SD	Beta
1	20	10	10	8	0.80
2	30	10	20	15	1.10

c) What do you mean by Co-relation between Asset Return and Market?

d) Fund A has Rs. 10, 00,000 under management at time 0. It earns 25% in period 1. At that time, Rs. 5, 00,000 is pulled out by other investors. The remaining capital earns negative 10% during period 2. What are the funds time – weighted and rupee – weighted rates of return?

e) $R_a = 8\%$ $R_f = 2\%$ $R_m = 9\%$ $\beta_a = 0.67$ $\sigma_a = 15\%$ $\sigma_m = 21\%$
 Compute the expected return on portfolio and total excess returns.

Q.4. a) Mr. Soma owns a portfolio of two securities with the following expected returns, standard deviation and weights: (10)

Security	Expected returns	Standard deviation	Weight
RNL	12%	15%	0.40
SBI	15%	20%	0.60

What are the maximum and minimum portfolio standard deviations for varying levels of correlation between two securities?

b) A portfolio has a market value of Rs. 1 crore. In the middle of the quarter, the client deposits Rs. 5 Lakh and at the end of the quarter he value of the portfolio is Rs. 1 crore 3 lakh. What are the dollar weighted returns? (10)

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