

**SVKM's NMIMS**  
**School of Distance Learning**

Programme: PGDFM

Academic Year: 2011-2012

Semester III

Subject: Capital Market & Portfolio Management

Course New

Marks: 70

Date: 27.12.2011

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 :** i) Answer to each question to be started on fresh page.

ii) Figure in brackets indicate full marks.

iii) All four questions to be attempted.

iv) All sub-questions carry equal marks.

**Q1. Attempt (Any TWO) of the following:**

**(10 Marks)**

- Explain the steps in investment process?
- Explain risk and return relationship. Also, explain the relationship with respect to different stocks?
- Explain the difference between Fundamental and Technical Analysis?
- Maurya Ltd., an investment company has invested in equity shares of a bluechip company. If risk free rate of return is 20%. Expected total market return is 40%. Market sensitivity index is 1.50. Calculate expected rate of return on investment made in the security by CAPM model.

**Q2. Write short notes on (Any TWO) of the following:**

**(10 Marks)**

- Investment versus Gambling.
- Six basic tenets of Dow's Theory.
- Preference share capital and its types
- Factors influencing selection of investment.
- Determinants of portfolio performance.

**Q3. Attempt (Any THREE) of the following:**

**(30 Marks)**

- Discuss the Arbitrage Pricing Theory. Also explain its relationship with capital asset pricing model(CAPM)?
- Describe the different types of investors as per Dr. Jeff?
- Explain the company analysis stage in fundamental analysis?
- What are the different methods of calculating portfolio returns?
- The associated probabilities and returns of security of Anup Industries and Raj Saurabh Ltd for the past 6 years are given below:

Years	Anup Industries		Raj Saurabh Ltd	
	Probabilities	Returns (%)	Probabilities	Returns (%)
2004	0.05	20	0.1	13
2005	0.1	34	0.2	24
2006	0.15	40	0.3	30
2007	0.25	10	0.28	40
2008	0.3	-15	0.15	15
2009	0.1	-10	0.2	-5
* 2010	0.05	30	0.08	25

You are required to :

- I. Calculate :
  - i. Risk and return on Anup Industries and Raj Saurabh Ltd
  - ii. Beta of Anup Industries and Raj Saurabh Ltd
- II. Comment on whether it is worth investing in Anup Industries or Raj Saurabh Ltd and why.

Q4. Attempt the following:

(20 Marks)

- a) In 2009, Mr Rakesh Kamath owned the following securities at the beginning of the year in the following amounts and with the following current and expected end of year prices:

Security	Share Amount	Current Price	Expected End of the year Price
Karbond	500	700	800
Sintex	600	900	1000
MTS	120	250	350
Waldart	300	450	550
Rinsky	375	560	670
Infolys	250	780	700

Mr Rajesh Kamath consults a portfolio management company in the year 2010 and the portfolio managers recommended the changes in the Share Amount over 2009.

Security	Share Amount	Current Price	Expected End of the year Price
Karbond	Increases by 10%	800	800
Sintex	Decreases by 10%	750	1000
MTS	Increases by 5%	300	350
Waldart	Increases by 6%	450	550
Rinsky	Decreases by 7%	400	670
Infolys	Increases by 8%	1000	700

The current price of Karbond, MTS, Waldart and Infolys have increased by 20%, while the current prices of Sintex, Rinsky have fallen by 10% over the 2009 current price.

The portfolio management company is expecting the prices of Karbond, MTS and Infolys to increase by 15%, whereas for other securities the prices will fall by 12%.

You are required to do the following:

- I. Expected return on Mr Rajesh Kamath's portfolio in the years 2009 and 2010.
  - II. Comment on which portfolio whether the 2009 or 2010 would bring good returns to Mr Rajesh Kamath and justify it with suitable reasons.
- b) What is efficient market hypothesis? What are the different forms of efficient market hypothesis and tools for evidence of market efficiency?