INVESTMENT ANALYSIS AND PORTFOLIO THEORY.

II M.COM. KDA4B.

UNIT - I.

PART - A.

1. Define the term 'investment'.
2. What is 'economic investment'?
3. What is 'financial investment'?
4. State the meaning of investment practice.
5. What is risk?
6. What are called 'economic assets'?
7. What is P/E ratio?

PART - B.

1. Distinguish between financial investment and economic investment.
2. Distinguish investment and speculation.
3. What are the different types of information that would be useful to an investor?
4. State some of the financial newspapers and journals that are useful for making investment.
5. Explain how GDP and CPI provide an important source of information for investment.
6. How does 'risk appetite' influence investment.
7. Distinguish between savings and investment.

PART - C

1. Discuss the various characteristic features of investment.

2. Explain the various factors and constraints of investment.

3. Explain the various objectives of making investment

4. Discuss the various sources of investment Information.

UNIT - II

PART - A

1. What is a financial security?
2. What is fundamental analysis?
3. What is global economic analysis?
4. What is technical analysis?
5. What are indicators and oscillators in technical analysis?
6. Write short notes on:. Aroon oscillator and Moving Average convergence Divergence (MACD)?
7. State Efficient Market Hypothesis.
8. What is weak form of efficient market Hypothesis.
9. What is the underlying assumption of EMH?

PART - B

1. What are the features of financial instruments?
2. What are the features of equity shares?
3. What are the features of fundamental analysis? Explain.
4. Explain the different types of financial analysis.
5. State the importance of technical analysis.
6. What are the principles on which 'Dow Theory' works?
7. What are the arguments in favour of technical analysis?
8. Explain principle of dominance with reference to Port folio management.

PART - C

1. Discuss the analytical framework of 'fundamental analysis?

2. Discuss the various techniques of technical analysis.

3. Discuss the three levels of Efficient market Hypothesis.

4. Explain Dow theory with the examples.

5. What are the difference between technical analysis and fundamental analysis?

UNIT - III

PART - A

1. What is 'Company analysis'?
2. What is Dividend Policy Analysis?
3. What is Accounting Policy Analysis?
4. What are Comparative Financial Statements?
5. What are common-size Financial Statements?
6. What is Ratio Analysis?
7. What is 'managerial analysis?
8. How is 'ROI' measured?
9. How is 'EPS' measured?
10. How is 'Payout-ratio' measured?
11. How is 'dividend yield' measured?
12. Define the term Risk.
13. What is 'Purchasing Power risk?
14. Define the term Return.
15. What is 'market risk?
16. What is 'interest rate risk?
17. What does co-variation of risk indicate?
18. What drives the market risk premium?
19. What is Correlation?
20. What is the range of correlation co-efficient?

PART-B

1. State the features of 'company analysis'.

2. What are the source of information for 'company analysis?

3. Explain the different types of financial analysis.

4. State the role of non-financial aspects in company analysis.

5. Distinguish between 'certainty and uncertainty.

6. How is business risk different from financial risk?

7. Explain 'industry risk'.

8. What are the different approaches of measuring return?

9. Following information is available in respect of three securities: A B and C.

Security	Return $\bar{r}$	Risk, σ.
A	18%.	20%.
B	10%.	12%.
C	10%.	15%.

Does any security dominate other one? Also calculate co-efficient of variation of all these securities. How an investor would select a security?

10. Following information is available in respect of two securities x and y. Find out the expected return and variance of the portfolio consisting of 40% of x and 60% of y.

	Exp. Return	σ.
x	15%.	50%.
y	20%.	30%.
P_{xy}		-0.45.

PART- C

1. What are the different types of risks? Explain each of them briefly.

2. Discuss the major components of company analysis.

3. Detail the various contents of a prospectus.

4. Following is the extract of the income statement and position statement of a firm for the year 2008.

Income statement:

	Rs.
EBIT (operating profit)	8,50,000
Less: Interest charges	170000
PBT.	680000
Less: Provision for taxation @ 40%	272000
Net Profit (PAT)	408000
Less: Preference dividend @ 10%	40000
Equity earnings	368000
Less: equity dividend paid	160000
Retained earnings	208000

Position Statement

	Rs.
10% Preference share capital (shares of Rs 100 each)	400000
Equity share capital (shares of Rs 10 each)	350000
Total share capital	750000
General reserves	120000
Profit and loss account	840000
Shareholders funds	1710000
Long-term loans	1200000
Total capital employed	2910000

You are required to analyze the profitability of the company from the view point of prospective investor assuming that the current market price of the share of Rs. 70 and that no final dividend has been proposed.

5. What are the various Sources of Risk?

6. Following information is available for an Investment.

Year	Return %
1	28.00
2	10.80
3	5.10

a) what is Arithmetic Average return?
b) what is the geometric average return?
c) what is the holding period return?

7. Following information is available in respect of market Portfolio M and a risky investment A.

Probability	Market Return	Return from A.
0.2	3%	-5%
0.4	16%	20%
0.4	12%	13%

Given the risk free rate of return is 7%, should an investor invest in security (or) not?

Unit - IV

PART - A .

1. Define the term Portfolio ?
2. what is meant by the term 'Portfolio management ?
3. who is Portfolio manager ?
4. what are the two key dimensions of Portfolio evaluation ?
5. what is portfolio revision ?
6. what is Portfolio Selection ?
7. what is Portfolio management Process ?
8. what is zero investment Portfolio ?
9. what is Passive Portfolio management ?
10. what is Portfolio theory ?

PART B

1. State the need for portfolio management?
2. Explain how portfolio management helps in risk diversification.
3. What are the functions performed by a portfolio manager?
4. What is an efficient portfolio?
5. What are the features of Markowitz portfolio analysis?
6. Explain the objectives of portfolio analysis
7. State the assumption of non satiation under the markowitz portfolio Analysis.

PART - C

1. Discuss the objectives and importance of portfolio management.
2. Discuss the detail the SEBI regulations governing the portfolio managers.
3. Explain the different measures used for evaluating the performance of a portfolio.
4. Explain the steps involved in portfolio development.
5. Discuss the Markowitz portfolio Analysis
6. Explain the concepts of risk and return in the context of portfolio.

7. An investor has built a portfolio comprising four securities in equal proportion and each having a β of 1.2 and S.D of the error term of each security is 20. The S.D of the market return is 16%. Find out the risk of the portfolio?

8. An investor is holding shares of A Ltd, B Ltd and C Ltd worth Rs. 300000; 300000 and Rs. 400000 respectively. The expected returns are 10%, 8% and 12%. What is the expected return on this portfolio?

9. Find out the required rate of return of a security given the following

Rate of Return on T-Bills.	6%
Return on market	9%
β of the security	1.5.

UNIT - V

PART - A

1. What is 'CAPM' in the context of portfolio management?
2. What is futures trading?
3. How many levels of efficiencies fund in stock market?
4. What is stock price?
5. What is risk-free security?
6. Define 'Beta' of a security
7. Define the term 'risk preference'
8. What is predictable return?

PART - B

1. What are the components of CAPM?
2. How is 'beta' of a security measured?
3. How is CML different from SML?
4. Explain separation theorem.
5. Discuss the key factors that have a bearing on the value of option.
6. Differentiate between American option and European option.

PART - C

1. What is options contract? Explain different types of options.

2. Explain the CAPM. How does it help in estimating the expected return of a security.

3. Explain the Arbitrage Pricing model.

4. What are the various types of financial derivatives?

5. Write about various participants in Indian Stock market.

6. Bring out the assumptions, implication and limitations of CAPM.