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DB-3554

Third Year B. B. A. (Sem. VI) Examination

March / April - 2016

Stock Exchange & Portfolio Management - II

Time : **2** Hours] [Total Marks : **50**

Instruction :

નીચે દર્શાવેલ ☛ નિશાનીવાળી વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
Fillup strictly the details of ☛ signs on your answer book.

Name of the Examination :
☛ **THIRD YEAR B. B. A. (SEM. 6)**

Name of the Subject :
☛ **STOCK EXCHANGE & PORTFOLIO MANAGEMENT - 2**

☛ Subject Code No. : **3 5 5 4** ☛ Section No. (1, 2,.....) : **Nil**

Seat No. :

Student's Signature

1 Explain following terms : (any five) **10**
(a) Mark to market margin
(b) European options
(c) Portfolio management
(d) Option-price
(e) Unsystematic risk
(f) Hedging
(g) Market risk.

2 (a) "Sharpe's Model is more practical than Markowitz Model." Do you agree? Give reasons. Also, briefly explain the various stages of construction of optimum portfolio using Sharpe's model. **6**

(b) Calculate alpha and beta from the following details of market return and security return **7**

Nifty return	Security return
0.8	1
1.2	1.5
1.9	1.7
-2	-1
1.8	3
0.9	1
0.3	0.5
0.5	1
-1	-0.5
0.5	1

OR

2 (a) What is risk? How can it be diversified? 6

(b) (i) S.Rao buys Rs. 30,000 of stock A and sells short Rs. 10,000 of stock B, using all of the proceedings to buy more of stock A. The correlation between the two securities is 0.45. The expected returns of stock A and B are 15% and 10% with the standard deviation of 10% and 12% respectively. What are the expected returns and standard deviation of Rao's portfolio? 4

(ii) An investor saw an opportunity to invest in new security with excellent growth potential. He wants to invest more than he had, which was only Rs. 10,000, for which he sold another security short with an expected rate of return of 15%. The total amount he sold short was Rs. 40,000, and his total amount invested in the growth security, which had an expected rate of return of 30%, was thus Rs. 50,000. Assuming no margin requirements, what is his expected rate of return on this portfolio? 3

3 (a) Explain intrinsic value and time value for option premium. 6

(b) What are futures? Explain payoff of futures with long and short position. 7

OR

3 (a) Explain settlement in futures segment. 6

(b) Explain payoffs for writer of call and put option. 7

4 Write short notes : (any **two**) 14

(a) Portfolio selection and portfolio revision

(b) Speculating using futures

(c) Calculation of risk and return.