



AD-3554

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

April / May - 2015

Stock Exchange & Portfolio Management :
Paper - II

Time : Hours]

[Total Marks :

Instruction :

नीचे दृष्टावेव निशानीवाणी विगतो उत्तरवडी पर अवश्य कपवी.
Fillup strictly the details of signs on your answer book.

Name of the Examination :
Third Year B. B. A. (Sem. - 6) (CBCS)

Name of the Subject :
STOCK EXCHANGE & PORTFOLIO MANAGEMENT : PAPER - II

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

Seat No. :

Student's Signature

(2) Substantiate your answers with examples and diagrams, wherever applicable.

1.	<p>Explain following terms (any five)</p> <p>a. Open interest b. Options c. Speculation d. Maintenance Margin e. Alpha f. Return g. Intrinsic value</p>	10																																												
2.	<p>Prepare the optimum portfolio by choosing from among the following securities and determining their proportions in the portfolio. Assume the risk free return is = 8% and variance in the market index=20%?</p> <table border="1"> <thead> <tr> <th>Security</th> <th>Mean Return (R_i)</th> <th>Beta (β_{im})</th> <th>Unsystematic risk σ_{ei}^2</th> </tr> </thead> <tbody> <tr><td>A</td><td>18</td><td>1.2</td><td>20</td></tr> <tr><td>B</td><td>16</td><td>1.0</td><td>30</td></tr> <tr><td>C</td><td>14</td><td>1.8</td><td>35</td></tr> <tr><td>D</td><td>22</td><td>1.0</td><td>25</td></tr> <tr><td>E</td><td>16</td><td>1.1</td><td>20</td></tr> <tr><td>F</td><td>17</td><td>1.0</td><td>45</td></tr> <tr><td>G</td><td>15</td><td>0.8</td><td>20</td></tr> <tr><td>H</td><td>13</td><td>1.3</td><td>25</td></tr> <tr><td>I</td><td>10</td><td>1.5</td><td>30</td></tr> <tr><td>J</td><td>12</td><td>1.4</td><td>10</td></tr> </tbody> </table> <p>Note : For calculations, use three digits after decimal point.</p>	Security	Mean Return (R_i)	Beta (β_{im})	Unsystematic risk σ_{ei}^2	A	18	1.2	20	B	16	1.0	30	C	14	1.8	35	D	22	1.0	25	E	16	1.1	20	F	17	1.0	45	G	15	0.8	20	H	13	1.3	25	I	10	1.5	30	J	12	1.4	10	14
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	OR	
2.a.	What is systematic risk? Discuss the types of systematic risk viz. interest rate risk, market risk and purchasing power risk.	07
b.	What is diversification? Explain the methods used in diversification.	07
3.a.	Explain how a speculator functions to benefit from an upward movement in the underlying security by using options.	07
b.	Discuss how settlement of futures contract is done.	07
	OR	
3.a.	"The maximum profit available to a call writer is limited to the option premium; while the loss may be limitless." Explain.	07
b.	How does an arbitrageur use futures contract to make riskless profit? Explain with examples.	07
4	Write short notes on (Any two)	12
a.	Use of correlation coefficient in portfolio construction	
b.	Moneyness of an option	
c.	Contract specification of stock option	