23. Videhi invested in the stocks of Dasaradha & Co. which has beta of 0.75 and Janaka & Co. which has a beta of 1.25. If the risk free rate is 12% and Expected Return is 20%.

   (a) Calculate expected return on two companies.

   (b) Videhi anticipated an increase in the risk free rate to 16% and hoped that the market risk premium remains at 8%, What would be the Expected return on these two companies, if her hunch proves right?

   (c) Calculate portfolio return when 20% of the investment is made in Dasaradha & Co. and 80% in Janaka & Co.

24. Discuss the important weaknesses of the Indian capital market.

25. Explain the important steps in portfolio management.

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Time : Three hours   Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions.

1. Define the term investment.

2. How will you classify financial markets in India?

3. What do you mean by Public Issue?

4. What is listing of shares?

5. Who is a Jobber?

6. State any two advantages of company analysis.

7. What do you understand by short selling?

8. Who are odd lotters?

9. What is Holding Period Yield?

10. What is rupee cost averaging?

11. Write a note on sharp index.

12. Define APM.

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions.

13. In what way can the relationship of risk and return be established?

14. What are the constituents of capital markets?

15. What are the obstacles in the way of successful fundamental analysis?

16. Mention the role of charts in technical analysis.

17. From the following information find out the best portfolio on the basis of single index assuming risk-free rate as 7%.

Portfolio	Expected Return	Standard Deviation %
1	8	3
2	10	6
3	13	8
4	17	13
5	20	18

18. From the following data pertaining to portfolio maintained by Clinton ply wood calculate ERR:

Stock	Market Value	Return %
Suzuki	10,000	10
Crown	20,000	14
Volga	30,000	16
Reagan	40,000	15

19. Bharat Ratna Fund has Rs.50,00,000 worth assets and Rs.15,00,000 liabilities with a share capital of Rs.7,00,000 divided into 70,000 equity shares of Rs.10 each. Compute the Net Asset Value (NAV)?

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions.

20. "Investment opportunities are available to the investor in many types and in many combinations within each type". – Elucidate this statement.

21. Enumerate the method of diversification of portfolio.

22. Teja Investment company has the following stock fund of five shares the market values and betas of which are given bellow :

STOCK	MARKET VALUE IN Rs.	BETA
THERMAX	2,00,000	1.10
IDBI	1,75,000	1.20
REDDY LABS	1,25,000	0.75
BHOJA LTD	2,00,000	0.80
SAVERA LTD	5,00,000	1.40
Total	12,00,000	

If R = 9% and E(rm) is 18%, What is the porfolio's return?