

**MASTER OF BUSINESS ADMINISTRATION
(FINANCIAL MARKETS)
(MBAFM)**

Term-End Examination

June, 2014

MCT-080 : PORTFOLIO MANAGEMENT

Time : 3 hours

Maximum Marks : 100

Note : *Attempt **any five** questions. All questions carry **equal** marks.*

1. What is investment ? Is it different from speculation, How ? Discuss various steps involved in the investment process. 20
2. (a) Critically examine the role of various assumptions involved in the derivation of security market line as per capital asset pricing model. 10+10
(b) Compare and contrast CAMP and APT. Explain the applications of APT.
3. Differentiate between the multifactor model, Arbitrage Pricing model and Multi-index model. Explain their usage with the help of imaginary data. 20
4. (a) Explain why most investors prefer to hold a diversified portfolio of securities as opposed to placing all of their wealth in a single asset ? 10+10

- (b) The following investment portfolios are evaluated by investors :

Portfolio	Expected Rate of Return %	Standard Deviation
A	12	15
B	10	8
C	10	9

You are required to give the choice for investor between portfolios, A,B and C, using Markowitz Portfolio theory.

5. Investor plans his investments for the period of four years and selects for his portfolio two different bonds with the same face value : 20
- *Bond A* has 4 years time to maturity, 8% coupon rate and 960 LT current market price.
 - *Bond B* has 8 years time to maturity, 12% coupon rate, and 1085 LT current market price.
- How should be bonds A and B allocated in the portfolio if the investor is using the immunization strategy ?
6. Explain how the avoidance of cognitive dissonance can affect the investor's decision making process. Give the examples how the emotions influence investor's decision making ? 20
7. Explain in detail the forward contracts and the future contracts. List the main difference between the two. 20

8. Write short notes on any four :

4x5=20

- (a) Swaps
 - (b) Black Scholes option model
 - (c) Arbitrage
 - (d) Bond convexity
 - (e) P/E approach of equity valuation
 - (f) Portfolio performance evaluation measures
-