

M.Com. Part- II Examination, 2020 (DDE)

Subject : Commerce

(Paper 20: Portfolio Management)

Time: 2 Hours

Full Marks: 40

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable

Answer any 4 questions

10x4=40

1. a) From the variance equation of a two assets (D and E) risky portfolio, find the weight of D (i.e., w_D) in case of the Minimum-Variance portfolio.
b) "Optimal position in the risky asset is inversely proportional to the level of risk aversion and level of risk and directly proportional to the risk premium". Prove. (5+5=10)
2. a) What are the assumptions of modern portfolio theory?
b) Explain the concept of efficient frontier. (5 + 5 = 10)
3. a) State the assumptions of CAPM.
b) Distinguish between CML and SML. (5 + 5 = 10)
4. The standard deviations of the returns of two securities are 6% and 12%, with expected returns of 16% and 24% respectively. A portfolio is invested with 30% in the first security and 70% in the second security. Calculate the expected return and standard deviation of the portfolio assuming that the correlation coefficients between the returns of the securities are (i) 1.0 (ii) 0 and (iii) -1.0. (10)
5. a) Distinguish between derivative products and derivative techniques.
b) Explain the features of financial derivatives. (5 + 5 = 10)
6. a) Distinguish between forward and futures contracts.
b) Distinguish between call options and put options. (5 + 5 = 10)