VI Semester B.Com. Examination, May 2017
(CBCS) (Fresh) (2016-17 and Onwards)
COMMERC

Time : 3 Hours  Max. Marks : 70

Instruction : Answers should be written completely either in English or in Kannada.

SECTION – A

Answer any five sub-questions. Each sub-question carries 2 marks. \((5 \times 2 = 10)\)

1. a) What is unsystematic risk?
   b) State any two sources of business risk.
   c) What is capital market line?
   d) What is portfolio revision?
   e) State any two benefits of diversification.
   f) What is economic analysis?
   g) What are global mutual funds?

SECTION – B

Answer any three questions. Each question carries 6 marks. \((3 \times 6 = 18)\)

2. Distinguish between investment and speculation.

3. State the assumptions of CAPM.

4. From the following calculate expected return for the following portfolio of 5 securities.

<table>
<thead>
<tr>
<th>Securities</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amt. of Investment</td>
<td>1,50,000</td>
<td>2,50,000</td>
<td>3,00,000</td>
<td>1,00,000</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Expected Return</td>
<td>15%</td>
<td>12%</td>
<td>18%</td>
<td>20%</td>
<td>18%</td>
</tr>
</tbody>
</table>

5. The following table gives an analyst’s expected return on two stocks for particular market returns.

<table>
<thead>
<tr>
<th>Market Return</th>
<th>Aggressive Stock</th>
<th>Defensive Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>20%</td>
<td>32%</td>
<td>16%</td>
</tr>
</tbody>
</table>

i) What is the beta of the aggressive stock and defensive stock?

ii) If the risk free rate is 6% and the market return is equally likely to be 8% and 20%, what is the risk premium?

6. Give the meaning of ADRs, GDRs and FCCBs.

P.T.O.
SECTION – C

Answer any three questions. Each question carries 14 marks. (3x14=42)

7. The returns of two assets under four possible states of nature are given below.

<table>
<thead>
<tr>
<th>State of Nature</th>
<th>Probability</th>
<th>Return on Asset 1</th>
<th>Return on Asset 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.10</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>2</td>
<td>0.30</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>3</td>
<td>0.50</td>
<td>15%</td>
<td>24%</td>
</tr>
<tr>
<td>4</td>
<td>0.10</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

a) What is the expected return on the asset 1 and asset 2?
b) What is the standard deviation of asset 1 and asset 2?

8. The following information is available.

<table>
<thead>
<tr>
<th>Stock</th>
<th>Expected Return</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>B</td>
<td>12%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Co-efficient of correlation 0.60

a) What is the co-variance between Stocks A and B?
b) What is the expected return and risk of a portfolio in which A and B have weights of 0.6 and 0.4?
c) What is the expected return and risk of a portfolio in which A and B have equal weights?

9. The following information is available regarding three mutual funds.

<table>
<thead>
<tr>
<th></th>
<th>( R_p )</th>
<th>( \sigma_p )</th>
<th>( \beta )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birla</td>
<td>25.38</td>
<td>4</td>
<td>0.23</td>
</tr>
<tr>
<td>Sundaram</td>
<td>25.11</td>
<td>9.10</td>
<td>0.56</td>
</tr>
<tr>
<td>Sun</td>
<td>25.00</td>
<td>3.55</td>
<td>0.60</td>
</tr>
</tbody>
</table>

Rank them with the help of Sharpe index and Treysor index.

10. Explain the factors to be considered in the company analysis.

11. Explain the various investments avenues.
VI Semester B.Com. Examination, May 2017
(Semester Scheme) (Repeaters)
(2014 – 15 and Onwards)
COMMERCE

Time : 3 Hours
Max. Marks : 100

Instruction : Answers should be written completely either in English or in Kannada.

SECTION – A

Answer any ten questions. Each question carries 2 marks. (10x2=20)

1. a) What is unsystematic risk ?
   b) What is Fundamental Analysis ?
   c) Give the meaning of term beta.
   d) What do you mean by diversification ?
   e) What is portfolio revision ?
   f) When Beta = 1. What it indicates ?
   g) What is security market line ?
   h) What are GDRs ?
   i) State any two assumptions of CAPM.
   j) What is portfolio management ?
   k) State any two benefits of diversification.
   l) What is company analysis ?

SECTION – B

Answer any four questions. Each question carries 8 marks. (4x8=32)

2. Distinguish between investment and speculation.

3. Explain the factors to be considered in Economic Analysis.

4. Determine the expected rate of return on individual portfolio by applying CAPM, if risk-free rate is 5% and the market return is 12%.

\[
\begin{array}{|c|c|c|c|c|c|}
\hline
\text{Stock} & A & B & C & D & E \\
\hline
\text{Beta (} \beta \text{)} & 1.3 & 1.20 & 0.9 & 0.5 & 1.6 \\
\hline
\end{array}
\]
5. Calculate the expected return and standard deviation of return for a share having the following details.

<table>
<thead>
<tr>
<th>Possible Returns (%)</th>
<th>10</th>
<th>12</th>
<th>18</th>
<th>20</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability</td>
<td>0.20</td>
<td>0.20</td>
<td>0.30</td>
<td>0.20</td>
<td>0.10</td>
</tr>
</tbody>
</table>

6. Shares X and Y display the following returns over the past 3 years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td>2014</td>
<td>28</td>
</tr>
<tr>
<td>2015</td>
<td>32</td>
</tr>
<tr>
<td>2016</td>
<td>15</td>
</tr>
</tbody>
</table>

a) What is the expected return on portfolio made up of 60% of X and 40% of Y?

b) What is the standard deviation of each share?

SECTION – C

Answer any three questions. Each question carries 16 marks.

7. Explain the various investment avenues.

8. What is CAPM? What are its assumptions and limitations?

9. Consider the following information for the three mutual funds A, B and C.

<table>
<thead>
<tr>
<th>MFs</th>
<th>Mean Return %</th>
<th>Standard Deviation %</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>30</td>
<td>24</td>
<td>1.8</td>
</tr>
<tr>
<td>B</td>
<td>24</td>
<td>16</td>
<td>1.2</td>
</tr>
<tr>
<td>C</td>
<td>16</td>
<td>12</td>
<td>0.8</td>
</tr>
<tr>
<td>Market Index</td>
<td>10</td>
<td>10</td>
<td>1.00</td>
</tr>
</tbody>
</table>

The risk free rate was 6%. Calculate the Treynor measure, Sharpe measure and Jensen measure for the three mutual funds.

10. The following information is available.

<table>
<thead>
<tr>
<th>Share A</th>
<th>Share B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Return</td>
<td>12%</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>15%</td>
</tr>
<tr>
<td>Co-efficient of correlation</td>
<td>0.40</td>
</tr>
</tbody>
</table>

a) What is the co-variance between stocks A and B?

b) What is the expected return and risk of a portfolio in which A and B are equally weighted?

c) What is the expected return and risk of a portfolio in which A and B are weighted 4 : 6?
VI Semester B.Com. Examination, May, 2016
(2014 – 15 & Onwards) (Fresh + Repeaters)
COMMERCE

Time : 3 Hours
Max. Marks : 100

Instruction : Questions to be answered in English or in Kannada.

SECTION – A
Answer any ten questions. Each question carries 2 marks. (10 × 2 = 20)
1. a) What do you mean by Investment strategies?
   b) What is Systematic Risk?
   c) Give the meaning of company analysis.
   d) What do you mean by undervalued shares?
   e) What is portfolio revision?
   f) What is GDR?
   g) Give the meaning of Intrinsic value.
   h) What do you mean by Beta?
   i) What is Security Market Line?
   j) What is Depository Receipts?
   k) Give the meaning of Diversification.
   l) Expand FCCB.

SECTION – B
Answer any four questions. Each question carries 8 marks. (4 × 8 = 32)
2. Briefly explain factors affecting investment decisions.
3. Briefly explain the classification of Standard Industries.
4. What is Global Mutual Funds? What are the reasons for investing in GMF?
5. Calculate the expected return and standard deviation of return for a stock having the following probability distribution of returns.
   \[
   \text{Possible Returns(in %)}: \begin{array}{cccccccc}
   35 & 30 & 20 & 15 & 0 & -10 & -25 \\
   \text{Probability of Occurrence}: & 0.15 & 0.20 & 0.25 & 0.15 & 0.10 & 0.10 & 0.05
   \end{array}
   \]

P.T.O.
6. Determine the expected rate of return on individual portfolio by applying CAPM, if the Risk-free rate is 5% and the market return is 9%.

<table>
<thead>
<tr>
<th>Stock</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta (β)</td>
<td>0.70</td>
<td>1.00</td>
<td>1.15</td>
<td>1.40</td>
<td>-0.30</td>
</tr>
</tbody>
</table>

SECTION – C

Answer any three questions. Each question carries 16 marks. (3×16 = 48)

7. What is Economic Analysis? Discuss the important economic forces with which the factors of investment operate.

8. What is CAPM? What are the assumptions of CAPM and its limitations.

9. The possible returns and associated probabilities of securities A & B are given below.

   Security – A
   Probability (P) : 0.05 0.15 0.40 0.25 0.10 0.05
   Return % (R) : 12 20 30 36 40 48

   Security – B
   Probability (P) : 0.10 0.20 0.30 0.25 0.10 0.05
   Return % (R) : 10 16 24 30 36 40

   Calculate the expected return and standard deviation of securities A & B.

10. With the given details, evaluate the performances of the different funds using Sharpe and Treynor performance evaluation techniques.

<table>
<thead>
<tr>
<th>Funds</th>
<th>Return (%)</th>
<th>S.D (σ)</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4</td>
<td>40</td>
<td>1.96</td>
</tr>
<tr>
<td>B</td>
<td>24</td>
<td>36</td>
<td>1.94</td>
</tr>
<tr>
<td>C</td>
<td>16</td>
<td>44</td>
<td>2.34</td>
</tr>
<tr>
<td>D</td>
<td>18</td>
<td>48</td>
<td>2.44</td>
</tr>
<tr>
<td>E</td>
<td>14</td>
<td>20</td>
<td>0.9</td>
</tr>
<tr>
<td>F</td>
<td>21</td>
<td>27</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Risk-free rate of return is 5%.