P.G.D.F.M. (Sem-II) August-2023

Con. 293–22. **YZ–8678**

(3 Hours) **[Total Marks : 80**

N.B. : (1) Question No. **1** is **compulsory**.
(2) Attempt any **three** questions from the Question No. **2** to Question No. **5**.

1.(a) State whether the following statement is **True** or **False** :— **10**

(i) The Binomial model ensures that the tree is recombinant.
(ii) To understand the option pricing one has to conceptualise each element of the three components.
(iii) The weak form of the market is all the past public information Reflected in the share prices.
(iv) The Capital Market line represents linear relationship between the required rates of return for efficient portfolios in their Standard deviations.
(v) The Dow theory is Developed by William Hamilton and refined by Charles Dow it has been around for almost 100 years.
(vi) In support & Resistance lines are often Confused with trend lines, The lines are drawn vertical under the lows in highs.
(vii) The analysis of financial statements reveals the nature of relationship between income in expenditure & the sources in application of funds.
(viii) The strength of the industry in its competitiveness can be analyzed by with the help of SWOT only.
(ix) The fundamental analysis of the investment management involves economic, company & Industry Analysis.
(x) Fiscal deficit = Total Expenditure (revenue + capital) - (Revenue Receipts + Non debt capital receipts)

(b) Fill in the blanks. **10**

(i) The term _______ refers to a group a firms producing similar or reasonably similar products.
(ii) _________ means buying or positive trends & ______ means negative or selling trends.
(iii) The longer the maturity period, the larger is the __________.
(iv) ___________ is the uncontrollable risk.
(v) The weak form efficiency of the market is based on _____________.
(vi) Basis is normally calculated as __________ – __________ of an asset.
(vii) In finance, the ______________ model provides a generalisable numerical method for the Valuation of options.
(viii) Future contract based on a financial instrument or financial indexes are known as __________
(ix) In _________ Theory many investors have agreed that holding 2 securities is less risky than holding 1.
(x) The fundamental analysis of the investment management involves three major steps; __________, __________,__________.

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2. (a) Explain the classification of industry and the types of manufacturing Industry ? **10**

   (b) What are the methods adopted to analyse the financial statements of a company ? **10**

3. (a) The following data are available to you as portfolio manager : **10**

Security	Estimated return (per cent)	Beta	Standard deviation (per cent)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10.0	0.5	20
Market Index	15	1.0	18
Govt. Security	7	0	0

   In terms of the security market line, which of the securities listed above are Under-Priced ?

   (b) Explain the following terms in the language of Option Finance : **10**
   (1) Option Premium
   (2) Underlying Asset
   (3) Exercise Date
   (4) Expiration Date
   (5) Option Contract
   (6) Agreed Contract Price.

4. (a) Calculate the expected return and variance of a portfolio comprising two securities, assuming that the portfolio weights are 0.75 for security 1 and 0.25 for security 2. The expected return for security 1 is 18 per cent and its standard deviation is 12 per cent, while the expected return and standard deviation for security 2 are 22 per cent and 20 per cent respectively. The correlation between the two securities is 0.6. **10**

   (b) Write a note on concept of market efficiency. **10**

5. Write **short notes** on any **four** :— **20**
   (a) Write Distinction between Forward contracts & Future contracts.
   (b) Write a note on signal confirmation.
   (c) Write Definition of Investment & its Need & Importance of Investments ?
   (d) Write note on types of Manufacturing Industry and Industry groups Classification.
   (e) What is the EFFICIENT PORTFOLIO & OPTIMAL PORTFOLIO. Explain with diagram.
