## **PAPER – 11**

## CAPITAL MARKET ANALYSIS & CORPORATE LAWS

## TEST PAPER – III11/CMC/2008/T-2

Time Allowed: 3 Hours

Full Marks: 100

## Answer Q.No.1 and any five Questions from the rest

- 1. Explain in detail the role of Foreign Institutional Institutions in Indian Capital markets? Are they creating imbalance in the market by providing excess liquidity into the system? What according to you should be the approach SEBI should take with respect to FII participation in the Indian Capital Market?
- **2.** What is Diversification in Portfolio Management? Explain in detail the various diversification strategies and their advantages and disadvantages?
- **3.** What is the basic assumption behind APT? What are the advantages and disadvantages of the APT over CAPM?
- **4.** Discuss the various types of risk. How would you manage with an effective portfolio during a bull and a bear phase in capital market?
- 5. What is an Index in Stock Market? Explain in detail the need, composition and its uses in Indian Capital Markets with respect to both NSE and BSE Indices?

The returns of Security Wipro and Security Infosys for the past six years are given below:

Year	Security Wipro	Security Infosys
Α.Α	Return %	Return %
2003	9	10
2004	5	-6
2005	3	12
2006	12	9
2007	16	15

Calculate the (i) Mean (ii) Standard deviation and (iii) Correlation Coefficient.

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Security ABC		Security XYZ	
Probability	Return	Probability	Return
0.30	27%	0.21	15%
0.50	18%	0.30	6%
0.30	-2%	0.40	10%
-	-	0.10	4%

**6.** Ravi Shankar has prepared the following information regarding two investments under consideration. Which investment should be accepted ?

7. Suppose you invest in four securities. Company ABC has on expected return of 20 percent, Company BCD has on expected return of 10 percent, Company CDE has on expected return of 12 percent, and Company DEF has an expected return of 9 percent. You have invested Rs. 40,000. What is the expected rate of return on your portfolio?