

PAPER – 11
CAPITAL MARKET ANALYSIS & CORPORATE LAWS

TEST PAPER – III11/CMC/2008/T-1

Time Allowed: 3 Hours

Full Marks: 100

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

1. Critically analyse the link between SML, CML and Characteristic Line. Discuss the implications of CAPM and APT Theory in portfolio selection.
2. What is the relationship between bond price and time? How are bond duration, convexity and dispersion related to each other?
3. What is Fundamental Analysis? Explain in detail the various stages involved? What are its strengths and weakness?
4. Explain in detail the Dow Theory and how it might be used to determine the direction of the stock market? How does it differ from Eliot Wave Theory?
5. Best and Excel are the two mutual funds. Best has a mean success of .15 and Excel has .22. The Excel has double the beta of Best fund's 1.5. The standard deviation of Best and Excel funds are 15% and 21.43%. The mean return of market index is 12% and its standard deviation is 7. The risk free rate is 8%.
 - a) Compute the Jensen Index for each fund
 - b) Compute the Treynor and Sharpe Indices for the funds and Interpret the results.
6. Assume you have recently graduated and have been hired as a financial planner by Radiant Securities Ltd., a financial services company. You have been given the following information relating to the return of RIL scrip and of market return.

Year	Return on RIL	Return on BSE sensex
2001	0.2	0.1
2002	0.3	0.2
2003	0.5	0.3

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2004	0.4	0.4
2005	0.6	0.5

Compute and Comment on the results ;

- (i) Beta value
- (ii) Alpha value
- (iii) the residual variance of RIL and Sensex and
- (iv) The coefficient Correlation .

7. Mrs. Kiran's portfolio consists of six securities The individual returns of each of the security in the portfolio is given below:

Security	Proportion of investment in the portfolio	Return
Wipro	10%	18%
Latham	25%	12%
SBI	8%	22%
ITC	30%	15%
RNL	12%	6%
DLF	15%	8%

Calculate the weighted average of return of the securities consisting the portfolio.