SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT STUDIES

(Autonomous)

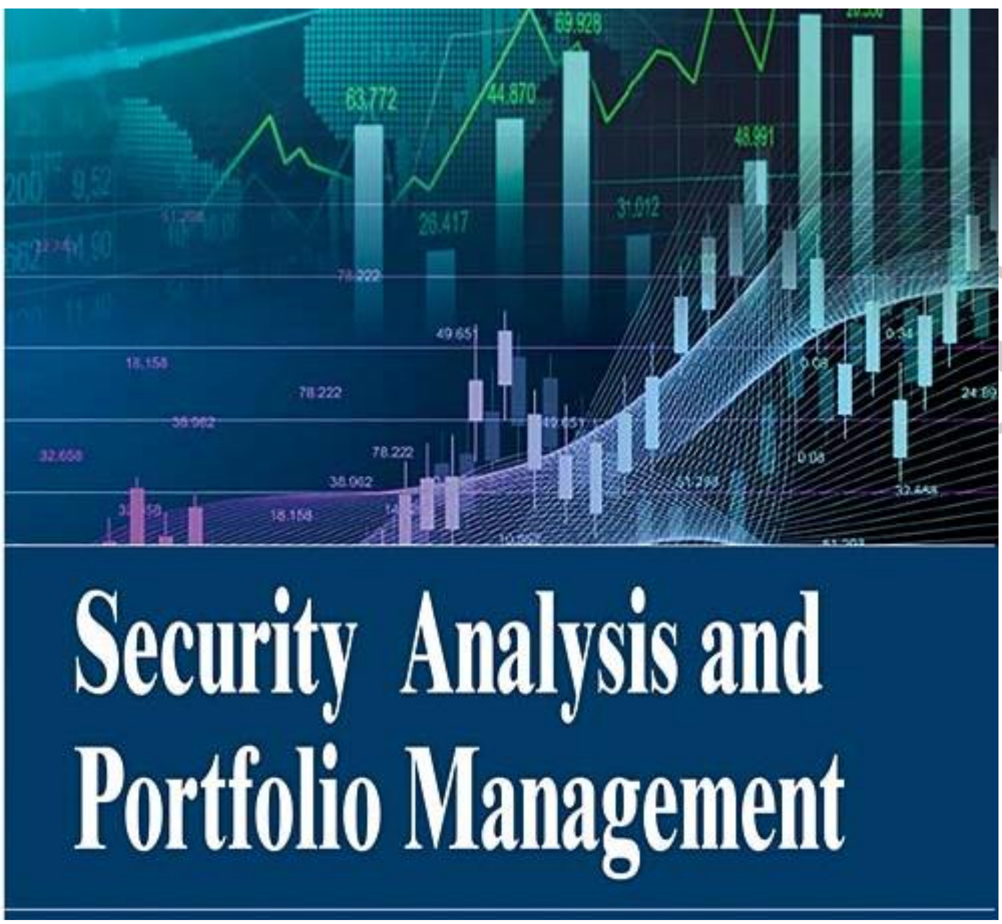
Department of Management Studies

QUESTION BANK **Security Analysis and Portfolio Management: 22MBA235A**

SREENIVASA INSTITUTE of TECHNOLOGY and MANAGEMENT STUDIES
(AUTONOMOUS)

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT QUESTION BANK

II MBA / III - SEMESTER REGULATION: R22



BY
FACULTY INCHARGE : DR.K.SUDARSAN , PROFESSOR

DEPARTMENT : MASTER OF BUSINESS ADMINISTRATION

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II MBA – Semester - III					
Course Code	**SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT**	**L**	**T**	**P**	**C**
22MBA235A		**3**	**1**	**0**	**4**

Course Educational Objectives (CEO):

CEO1: To provide knowledge on Investment Environment and Capital Markets.
CEO2: To develop skills on fundamental analysis and technical analysis of securities.
CEO3: To provide knowledge for the measurement of return and risk of various securities through various tools.
CEO4: To provide knowledge for the valuation of various securities through various methods.
CEO5: To develop skills for the portfolio management through by various models.

UNIT - I	**Investment and Trading Environment**	Lecture Hrs: 8
Investment Meaning and Environment - Capital Markets - Trading in Stock Exchanges: BSE, NSE, MCX - New Issue Market.		
UNIT - II	**Security Analysis**	Lecture Hrs: 12
Fundamental Analysis: Economy, Industry and Company Analysis - Technical Analysis - Fundamental Analysis Vs Technical Analysis – Dow Theory - Trend Analysis – Patterns - Moving Averages - Relative Strength Index (RSI).		
UNIT - III	**Measurement of Return and Risk**	Lecture Hrs:12
Revenue Return and Capital Appreciation - Probability Distribution – Holding Period - Statistical Methods - Calculation of Expected Return Risk Factors - Risk Classification: Systematic Risk and Unsystematic Risk - Standard Deviation – Variance – Correlation Coefficient – Beta - Calculating Expected Return and Risk.		
UNIT - IV	**Valuation of Securities**	Lecture Hrs:12
Approaches of Valuation – Bond Valuation – Preference Share Valuation – Common Stock Valuation.		
UNIT - V	**Portfolio Management**	Lecture Hrs:12
Process of Portfolio Management - Diversification – Modern Portfolio – Portfolio Models: Markowitz Model, Sharpe Single Index Model, Capital Asset Pricing Model.		

Course Outcomes:

On successful completion of the course the student will be able to,		**POs & PSOs related to COs**
CO1	**Demonstrate** knowledge on knowledge on investment environment and capital markets.	PO1, PO8, PSO1, PSO2

CO2	**Analyze** the various securities through fundamental analysis and technical analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
CO3	**Measure** the return and risk of various securities through various tools.	PO1, PO2, PO4, PO8, PSO1, PSO2
CO4	**Apply** the approaches of Valuation of securities and use various methods for valuation.	PO1, PO2, PO4, PO8, PSO1, PSO2
CO5	**Identify** the best portfolio management through by various models.	PO1, PO2, PO4, PO8, PSO1, PSO2

Text Books:

1. Portfolio Management, 2/e, S Kevin, Prentice Hall, New Delhi, 2007.
2. Investment Analysis & Portfolio Management, 3/e, Prasanna Chandra, Tata McGraw Hill, New Delhi, 2008.

Reference Books:

1. Investment Analysis And Portfolio Management, 2021 Edition, Prasanna Chandra, McGraw Hill, 2021.
2. Security Analysis and Portfolio Management, 1/e, Sudhindra Bhat, Excel Books, New Delhi, 2008.
3. Security Analysis & Portfolio Management, 10/e, Awadhani, Himalaya Publishers, Mumbai, 2011.
4. Security Analysis and Portfolio Management, 4/e, Donald E fisher, Ronald J Jordan, Pearson Prentice Hall, New Delhi, 2008.

Online Learning Resources:

https://nptel.ac.in/courses/110105035
https://onlinecourses.nptel.ac.in/noc21_mg99/preview
https://nptel.ac.in/courses/110107154

QUESTION BANK

Question No.	Questions	POs and PSOs Attainment
UNIT - 1: INVESTMENT AND TRADING ENVIRONMENT		
PART-A (Two Marks Questions)		
1	Explain in brief what "investment" means and provide an example of an investment vehicle.	PO1, PO8, PSO1, PSO2
2	Describe two key factors within the investment environment that can influence investment decisions.	PO1, PO8, PSO1, PSO2
3	Briefly define "capital markets" and distinguish between primary and secondary capital markets.	PO1, PO8, PSO1, PSO2
4	Name two common financial instruments that are traded in capital markets and explain their primary functions.	PO1, PO8, PSO1, PSO2
5	Explain the primary function of stock exchanges like BSE and NSE in the financial market, emphasizing their role in facilitating	PO1, PO8, PSO1, PSO2

	the buying and selling of securities.	
6	Describe what the new issue market is and how it operates within stock exchanges like BSE and NSE.	PO1, PO8, PSO1, PSO2
7	Mention the purpose of the new issue market and how it benefits both companies and investors. Additionally, briefly mention MCX (Multi Commodity Exchange) and its role in trading commodities.	PO1, PO8, PSO1, PSO2
8	Explain in brief what "investment" means and provide an example of an investment vehicle.	PO1, PO8, PSO1, PSO2
9	Describe two key factors within the investment environment that can influence investment decisions.	PO1, PO8, PSO1, PSO2
10	Briefly define "capital markets" and distinguish between primary and secondary capital markets.	PO1, PO8, PSO1, PSO2
PART-B (Ten Marks Questions)		
1	Describe the concept of "investment" in detail.	PO1, PO8, PSO1, PSO2
2	Discuss the different types of investments, their purposes, and the factors individuals or organizations consider when making investment decisions.	PO1, PO8, PSO1, PSO2
3	Provide real-life examples to illustrate your points.	PO1, PO8, PSO1, PSO2
4	Explain the significance of the investment environment in the world of finance and investment. Discuss the various components and factors that constitute the investment environment, including economic, political, and social influences.	PO1, PO8, PSO1, PSO2
5	Provide examples of how changes in the investment environment can impact investment decisions and outcomes, and suggest strategies for investors to navigate challenging environments.	PO1, PO8, PSO1, PSO2
6	Explain the concept of capital markets comprehensively. Discuss the role of capital markets in the broader financial system and economy.	PO1, PO8, PSO1, PSO2
7	Elaborate on the key participants and instruments within capital markets, and provide examples of how capital markets facilitate capital allocation and investment. Additionally, analyze the potential risks associated with capital markets and how regulators work to ensure their stability and integrity.	PO1, PO8, PSO1, PSO2
8	Provide a comprehensive overview of trading in stock exchanges with a focus on BSE and NSE in India. Begin by explaining the primary functions and significance of stock exchanges in the financial market. Discuss the key components of stock exchanges, such as trading mechanisms, order types, and regulatory oversight.	PO1, PO8, PSO1, PSO2
UNIT - 2: SECURITY ANALYSIS		
PART-A (Two Marks Questions)		

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QUESTION BANK **Security Analysis and Portfolio Management: 22MBA235A**

1	Explain the three key components of fundamental analysis, namely economy analysis, industry analysis, and company analysis, and briefly outline their respective roles in evaluating an investment opportunity.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Describe what economy analysis entails in fundamental analysis and how it influences investment decisions.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	Provide an example of an economic factor that can impact the valuation of stocks or other investments.	PO1, PO2, PO4, PO8, PSO1, PSO2
4	Briefly explain what technical analysis is and its primary focus when evaluating securities or assets.	PO1, PO2, PO4, PO8, PSO1, PSO2
5	Mention two common tools or techniques used in technical analysis, and provide a concise description of their purpose in analyzing price movements and trends in financial markets.	PO1, PO2, PO4, PO8, PSO1, PSO2
6	Explain the primary focus of fundamental analysis and technical analysis, highlighting the key difference in what each approach primarily evaluates when assessing investment opportunities.	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Differentiate between the sources of data that fundamental analysts and technical analysts rely on when conducting their analyses.	PO1, PO2, PO4, PO8, PSO1, PSO2
8	Explain two fundamental principles of Dow Theory and how they are applied in technical analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
9	Differentiate between primary trends and secondary trends in the context of Dow Theory, and provide a brief explanation of their significance in market analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	Describe what trend analysis is in financial markets and why it is important for investors and traders.	PO1, PO2, PO4, PO8, PSO1, PSO2
11	Explain one common method or tool used to identify trends in trend analysis, and provide a brief example of how it is applied in practice.	PO1, PO2, PO4, PO8, PSO1, PSO2
12	What are chart patterns in technical analysis, and why are they important for traders and investors?	PO1, PO2, PO4, PO8, PSO1, PSO2
13	Name two common chart patterns used in technical analysis and briefly explain their significance in predicting future price movements.	PO1, PO2, PO4, PO8, PSO1, PSO2
14	Explain what moving averages are in the context of technical analysis and their primary purpose when analyzing financial data.	PO1, PO2, PO4, PO8, PSO1, PSO2
15	Name two common types of moving averages and briefly describe the key differences between them in terms of their calculation and smoothing effects on data.	PO1, PO2, PO4, PO8, PSO1, PSO2
16	Explain what the Relative Strength Index (RSI) is and its primary purpose in technical analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
17	Describe the concept of overbought and oversold conditions in the context of RSI. How are these conditions typically interpreted by traders and investors?	PO1, PO2, PO4, PO8, PSO1, PSO2
18	Explain the three key components of fundamental analysis, namely economy analysis, industry analysis, and company analysis, and	PO1, PO2, PO4, PO8, PSO1, PSO2

	briefly outline their respective roles in evaluating an investment opportunity.	
19	Describe what economy analysis entails in fundamental analysis and how it influences investment decisions.	PO1, PO2, PO4, PO8, PSO1, PSO2
20	Provide an example of an economic factor that can impact the valuation of stocks or other investments.	PO1, PO2, PO4, PO8, PSO1, PSO2
21	Briefly explain what technical analysis is and its primary focus when evaluating securities or assets.	PO1, PO2, PO4, PO8, PSO1, PSO2
PART-B (Ten Marks Questions)		
1	Explain fundamental analysis comprehensively, emphasizing the three crucial components: economy analysis, industry analysis, and company analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Explain the concept of technical analysis comprehensively. Discuss its core principles, techniques, and tools used in evaluating securities, assets, or financial markets.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	Provide a comprehensive comparison between fundamental analysis and technical analysis as two distinct approaches to evaluating securities, assets, or financial markets.	PO1, PO2, PO4, PO8, PSO1, PSO2
4	Discuss the fundamental principles and focus of each approach. Explain how fundamental analysis primarily centers on evaluating the intrinsic value of an asset, considering factors like financial statements, management, and industry conditions. In contrast, clarify how technical analysis focuses on analyzing historical price and volume data to predict future price movements.	PO1, PO2, PO4, PO8, PSO1, PSO2
5	Explain Dow Theory in depth, covering its core principles, its historical development, and its relevance in modern technical analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
6	Explain how Dow Theory is applied in modern technical analysis and its relevance in assessing market trends and making investment decisions. Provide examples of how it has been used effectively in recent market analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Explain the concept of trend analysis in financial markets comprehensively. Cover its definition, significance, key principles, methods, and tools.	PO1, PO2, PO4, PO8, PSO1, PSO2
8	Explain the concept of patterns in technical analysis, covering their significance, different types, and their role in predicting future price movements.	PO1, PO2, PO4, PO8, PSO1, PSO2
9	Explain the concept of moving averages in technical analysis, covering their definition, types, calculation methods, significance, and practical applications.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	Explain the Relative Strength Index (RSI) in detail, covering its definition, calculation, interpretation, and practical applications in technical analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2

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UNIT - 3 : Measurement of Return and Risk		
PART-A (Two Marks Questions)		
1	Define revenue return and provide an example of an investment that typically generates revenue return.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Explain the concept of capital appreciation and how it differs from revenue return in investment.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	What are the key factors that can influence the revenue return on a stock or bond investment?	PO1, PO2, PO4, PO8, PSO1, PSO2
4	Describe a situation where an investor might prioritize capital appreciation over revenue return, and provide a reason for this preference.	PO1, PO2, PO4, PO8, PSO1, PSO2
5	How can diversification be used to manage the risk associated with both revenue return and capital appreciation in an investment portfolio?	PO1, PO2, PO4, PO8, PSO1, PSO2
6	Differentiate between short-term and long-term investments with respect to their potential for capital appreciation and revenue return.	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Why is it important for investors to consider both revenue return and capital appreciation when evaluating the performance of an investment?	PO1, PO2, PO4, PO8, PSO1, PSO2
8	Discuss the role of market conditions in determining whether an investment will primarily yield revenue return or capital appreciation.	PO1, PO2, PO4, PO8, PSO1, PSO2
9	Explain the impact of inflation on the real value of revenue return and capital appreciation.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	Provide an example of a financial instrument that can offer both revenue return and capital appreciation, and explain how it achieves this balance.	PO1, PO2, PO4, PO8, PSO1, PSO2
11	Define holding period and explain its significance in investment analysis.	PO1, PO2, PO4, PO8, PSO1, PSO2
12	Differentiate between a short-term holding period and a long-term holding period, and provide an example of each.	PO1, PO2, PO4, PO8, PSO1, PSO2
13	Why is the holding period important for calculating capital gains or losses on an investment?	PO1, PO2, PO4, PO8, PSO1, PSO2
14	How does the holding period influence an investor's tax liability when selling an asset?	PO1, PO2, PO4, PO8, PSO1, PSO2
15	What factors might affect an investor's decision to change their intended holding period for an investment?	PO1, PO2, PO4, PO8, PSO1, PSO2
16	Discuss the impact of transaction costs on the decision to change the holding period of an investment.	PO1, PO2, PO4, PO8, PSO1, PSO2
17	How can market volatility and economic conditions influence the ideal holding period for a particular asset?	PO1, PO2, PO4, PO8, PSO1, PSO2
18	Provide an example of an investment with a variable holding period and explain the factors that can cause it to change.	PO1, PO2, PO4, PO8, PSO1, PSO2
19	What role does the time value of money play in the assessment of	PO1, PO2, PO4,

	an investment's holding period?	PO8, PSO1, PSO2
20	What is expected return in the context of investments, and why is it an essential measure for investors when evaluating assets or portfolios?	PO1, PO2, PO4, PO8, PSO1, PSO2
21	Explain the formula for calculating expected return on an investment, and provide an example using hypothetical data.	PO1, PO2, PO4, PO8, PSO1, PSO2
22	How does the concept of probability influence the calculation of expected return in investment analysis? Provide a brief explanation.	PO1, PO2, PO4, PO8, PSO1, PSO2
23	Define the standard deviation as a measure of risk. How is it calculated, and why is it significant in assessing investment risk?	PO1, PO2, PO4, PO8, PSO1, PSO2
24	Differentiate between systematic risk and unsystematic risk in investment analysis, and explain how each contributes to the overall risk of a portfolio.	PO1, PO2, PO4, PO8, PSO1, PSO2
25	Discuss the role of diversification in reducing risk within an investment portfolio. How does diversification help spread risk across multiple assets?	PO1, PO2, PO4, PO8, PSO1, PSO2
26	How does beta measure the systematic risk of an investment, and what does a high or low beta indicate about an asset's risk level in relation to the market?	PO1, PO2, PO4, PO8, PSO1, PSO2
27	Describe the impact of market conditions, economic factors, and company-specific events on the risk and expected return of an investment. Provide a brief overview of how these factors can affect investment decisions.	PO1, PO2, PO4, PO8, PSO1, PSO2
28	Discuss the importance of risk assessment and the calculation of expected return when constructing a diversified investment portfolio. How do these measures guide the selection of assets and the allocation of investments?	PO1, PO2, PO4, PO8, PSO1, PSO2
PART-B (Ten Marks Questions)		
1	Explain the concept of expected return in the context of investment. How is it calculated, and what role does it play in investment decision-making? Provide a numerical example to illustrate.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Discuss the factors that contribute to the risk associated with an investment. How do these risk factors influence the expected return of an investment? Use real-world examples to support your explanation.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	Compare and contrast systematic risk and unsystematic risk in investment analysis. Explain how each type of risk affects the expected return of a portfolio of assets.	PO1, PO2, PO4, PO8, PSO1, PSO2
4	Define and explain the concept of beta as a measure of an asset's risk in relation to the overall market. How is beta calculated, and how can it be used to assess the risk of an investment?	PO1, PO2, PO4, PO8, PSO1, PSO2
5	Describe the Capital Asset Pricing Model (CAPM) and its	PO1, PO2, PO4,

	significance in estimating the expected return of an investment. Discuss the key components of CAPM and how they relate to risk factors.	PO8, PSO1, PSO2
6	Analyze the role of diversification in managing risk within an investment portfolio. How does diversification affect the expected return, and what considerations should investors keep in mind when implementing a diversified strategy?	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Using the concept of standard deviation, describe how it quantifies risk in an investment. Explain how it can be used to assess and compare the risk levels of different investment options.	PO1, PO2, PO4, PO8, PSO1, PSO2
8	Discuss the relationship between the risk-free rate of return and the risk premium in investment analysis. How do changes in these factors impact the calculation of expected return for an asset?	PO1, PO2, PO4, PO8, PSO1, PSO2
9	Evaluate the impact of economic conditions and market trends on the expected return and risk factors associated with investments. Provide examples of how economic events can influence investment performance.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	Elaborate on the differences between historical data and forward-looking indicators when assessing risk and expected return. How can these data sources be integrated into a comprehensive investment analysis process?	PO1, PO2, PO4, PO8, PSO1, PSO2
11	Define and differentiate between systematic risk and unsystematic risk in the context of investment. Explain the sources of each type of risk and provide examples for better illustration.	PO1, PO2, PO4, PO8, PSO1, PSO2
12	Discuss the impact of systematic risk on a diversified portfolio of investments. How can investors manage and mitigate systematic risk, and what strategies can be employed to achieve this?	PO1, PO2, PO4, PO8, PSO1, PSO2
13	Explore the concept of beta as a measure of systematic risk for individual assets. How is beta calculated, and what does a high or low beta signify about an asset's sensitivity to market movements?	PO1, PO2, PO4, PO8, PSO1, PSO2
14	Explain the causes of unsystematic risk and the factors that contribute to its presence in an investment portfolio. Provide examples of specific events or conditions that can lead to unsystematic risk.	PO1, PO2, PO4, PO8, PSO1, PSO2
15	Describe the relationship between diversification and unsystematic risk reduction. How can diversification across asset classes and industries help investors mitigate the impact of unsystematic risk?	PO1, PO2, PO4, PO8, PSO1, PSO2
16	Discuss the Capital Asset Pricing Model (CAPM) and its role in assessing systematic risk. How does CAPM incorporate beta and the risk-free rate of return to estimate an asset's expected return?	PO1, PO2, PO4, PO8, PSO1, PSO2

17	Analyze the importance of risk assessment in investment decision-making. How does an understanding of both systematic and unsystematic risk factors influence an investor's choice of assets and portfolio construction?	PO1, PO2, PO4, PO8, PSO1, PSO2
18	Evaluate the potential benefits and drawbacks of actively managing unsystematic risk in an investment portfolio. How can investors use fundamental analysis and research to identify and address specific sources of unsystematic risk?	PO1, PO2, PO4, PO8, PSO1, PSO2
19	Provide real-world examples of events or economic conditions that have led to significant fluctuations in systematic risk within financial markets. How have these events affected investment portfolios and asset values?	PO1, PO2, PO4, PO8, PSO1, PSO2
20	Compare and contrast the long-term and short-term effects of systematic and unsystematic risk on investment performance. How can investors balance the trade-offs between risk and return in their investment strategies?	PO1, PO2, PO4, PO8, PSO1, PSO2
21	Define and explain the concept of standard deviation in the context of investment. How is standard deviation calculated, and what does it indicate about the risk associated with an investment? Provide a numerical example to illustrate.	PO1, PO2, PO4, PO8, PSO1, PSO2
22	Discuss the relationship between variance and standard deviation. How is variance computed, and how does it relate to the spread of returns and the risk of an investment portfolio?	PO1, PO2, PO4, PO8, PSO1, PSO2
23	Analyze the significance of correlation coefficient in the context of portfolio diversification. How does the correlation coefficient measure the relationship between two assets, and how can investors use it to construct a diversified portfolio? Provide real-world examples.	PO1, PO2, PO4, PO8, PSO1, PSO2
24	Define beta as a measure of an asset's risk in relation to the overall market. Explain how beta is calculated, and discuss its role in assessing an investment's sensitivity to market movements and systematic risk.	PO1, PO2, PO4, PO8, PSO1, PSO2
25	Explore the implications of a high or low beta for an investment. How does the beta coefficient influence an investor's expectations of returns and the assessment of risk within a portfolio?	PO1, PO2, PO4, PO8, PSO1, PSO2
26	Discuss the use of the Capital Asset Pricing Model (CAPM) to estimate an asset's expected return based on its beta, the risk-free rate, and the market risk premium. How does CAPM integrate beta into the assessment of investment performance?	PO1, PO2, PO4, PO8, PSO1, PSO2
27	Explain the limitations and potential drawbacks of relying on historical data when calculating standard deviation, variance, and beta. What considerations should investors keep in mind when interpreting these statistics in a dynamic market environment?	PO1, PO2, PO4, PO8, PSO1, PSO2
28	Evaluate the role of beta in risk management and portfolio	PO1, PO2, PO4,

	construction. How can investors use beta to balance the risk and return trade-offs within their investment strategies?	PO8, PSO1, PSO2
29	Describe how the correlation coefficient is used to measure the degree of diversification achieved through the inclusion of different assets in an investment portfolio. What are the implications of a positive or negative correlation between assets?	PO1, PO2, PO4, PO8, PSO1, PSO2
30	Provide an in-depth analysis of a specific investment portfolio, including the calculation of standard deviation, variance, beta, and the interpretation of these risk measures. Discuss the portfolio's diversification strategy and how these measures help manage risk.	PO1, PO2, PO4, PO8, PSO1, PSO2
31	**Problem 1: Standard Deviation and Variance** Suppose you have invested in two stocks, A and B. Here are the annual returns for the past five years for each stock: Stock A: 10%, 15%, 8%, 12%, 9% Stock B: 7%, 14%, 10%, 16%, 5% Calculate the standard deviation and variance for each stock's annual returns.	PO1, PO2, PO4, PO8, PSO1, PSO2
32	**Problem 2: Correlation Coefficient** You are considering adding a new stock, C, to your portfolio. The correlation coefficient between the returns of stock C and your existing portfolio is calculated as 0.65. What does this correlation coefficient value suggest about the relationship between stock C and your existing portfolio in terms of diversification?	PO1, PO2, PO4, PO8, PSO1, PSO2
33	**Problem 3: Beta Calculation** Suppose you are analyzing two stocks, X and Y, and you have historical data for both stocks' returns as well as the returns of the market index over the same period. Calculate the beta for each stock using the following information: • Stock X's returns: 12%, 15%, 10%, 11%, 14% • Stock Y's returns: 9%, 12%, 8%, 7%, 11% • Market index returns: 8%, 10%, 7%, 6%, 9%	PO1, PO2, PO4, PO8, PSO1, PSO2
34	**Problem 4: Portfolio Beta** You have a portfolio consisting of two stocks: Stock P and Stock Q. The portfolio weights are as follows: 60% in Stock P and 40% in Stock Q. The beta of Stock P is 1.2, and the beta of Stock Q is 0.8. Calculate the beta of the entire portfolio.	PO1, PO2, PO4, PO8, PSO1, PSO2
35	**Problem 5: Risk and Diversification** You are considering two different portfolios, Portfolio A and Portfolio B. Portfolio A consists of three stocks with the following betas: Stock X (1.2), Stock Y (0.9), and Stock Z (1.5). Portfolio B consists of two	PO1, PO2, PO4, PO8, PSO1, PSO2

	stocks with the following betas: Stock P (0.7) and Stock Q (1.4). If you are risk-averse and want to minimize portfolio risk, which portfolio should you choose, and why?	
36	**Problem 6: Expected Return Calculation** You are considering investing in a stock, and you believe it has three possible scenarios for next year's returns: a 20% chance of a 10% return, a 40% chance of a 15% return, and a 40% chance of a 5% return. Calculate the expected return for this stock.	PO1, PO2, PO4, PO8, PSO1, PSO2
37	**Problem 7: Portfolio Expected Return** You have a portfolio consisting of three assets: Asset X, Asset Y, and Asset Z. The weights and expected returns for each asset are as follows: • Asset X: Weight = 40%, Expected Return = 12% • Asset Y: Weight = 30%, Expected Return = 8% • Asset Z: Weight = 30%, Expected Return = 15% Calculate the expected return for the entire portfolio.	PO1, PO2, PO4, PO8, PSO1, PSO2
38	**Problem 8: Risk and Standard Deviation** You are evaluating the risk of two different investments, Investment A and Investment B. The annual returns for both investments for the past five years are as follows: • Investment A: 10%, 15%, 8%, 12%, 9% • Investment B: 7%, 14%, 10%, 16%, 5% Calculate the standard deviation of returns for each investment and compare their risk levels.	PO1, PO2, PO4, PO8, PSO1, PSO2
39	**Problem 9: Portfolio Risk (Variance-Covariance Method)** You have a portfolio consisting of two assets, Asset P and Asset Q. The portfolio weights, expected returns, and standard deviations for each asset are as follows: • Asset P: Weight = 60%, Expected Return = 12%, Standard Deviation = 18% • Asset Q: Weight = 40%, Expected Return = 8%, Standard Deviation = 12% The correlation coefficient between the returns of Asset P and Asset Q is 0.5. Calculate the portfolio's standard deviation using the variance-covariance method.	PO1, PO2, PO4, PO8, PSO1, PSO2
40	**Problem 10: Portfolio Risk (Beta Method)** You have a portfolio of three stocks: Stock Alpha, Stock Beta, and Stock Gamma. The portfolio weights and beta values for each stock are as follows:	PO1, PO2, PO4, PO8, PSO1, PSO2

	• Stock Alpha: Weight = 40%, Beta = 1.2 • Stock Beta: Weight = 30%, Beta = 0.8 • Stock Gamma: Weight = 30%, Beta = 1.5 The market's expected return is 10%, and the risk-free rate is 3%. Calculate the portfolio's expected return and beta using the beta method.	
UNIT - 4: Valuation of Securities		
PART-A (Two Marks Questions)		
1	What is the primary factor that determines the value of a bond in the bond market?	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Define the term "par value" in the context of bond valuation.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	Explain the relationship between a bond's coupon rate and its market value.	PO1, PO2, PO4, PO8, PSO1, PSO2
4	What does it mean when a bond is trading at a premium in the market?	PO1, PO2, PO4, PO8, PSO1, PSO2
5	How does the prevailing interest rate in the market impact the value of a bond?	PO1, PO2, PO4, PO8, PSO1, PSO2
6	Define the concept of "yield to maturity" (YTM) and its significance in bond valuation.	PO1, PO2, PO4, PO8, PSO1, PSO2
7	What is the difference between a discount bond and a premium bond in terms of market price?	PO1, PO2, PO4, PO8, PSO1, PSO2
8	How is the coupon payment of a bond calculated, and what does it represent?	PO1, PO2, PO4, PO8, PSO1, PSO2
9	What happens to the market value of a bond when interest rates rise, and why?	PO1, PO2, PO4, PO8, PSO1, PSO2
10	Describe the relationship between a bond's maturity period and its market value.	PO1, PO2, PO4, PO8, PSO1, PSO2
11	Define preference shares and explain their main characteristics in terms of ownership and dividend payments.	PO1, PO2, PO4, PO8, PSO1, PSO2
12	What is the key distinction between preference shares and common shares in a company's capital structure?	PO1, PO2, PO4, PO8, PSO1, PSO2
13	How are preference shares different from bonds or debentures in terms of risk and ownership?	PO1, PO2, PO4, PO8, PSO1, PSO2
14	Explain the importance of the "preference" feature in preference shares and how it influences dividend payments.	PO1, PO2, PO4, PO8, PSO1, PSO2
15	**Problem 1: Valuing a Zero-Coupon Bond** You are considering purchasing a zero-coupon bond with a face value of $1,000 that matures in 5 years. The current market interest rate is 6%. Calculate the present value of this bond.	PO1, PO2, PO4, PO8, PSO1, PSO2
16	**Problem 2: Valuing a Coupon-Paying Bond** You are analyzing a 10-year, $1,000 face value bond with a 5% coupon rate. The bond pays interest semi-annually. Calculate the present value of this bond if the market interest rate is 4%.	PO1, PO2, PO4, PO8, PSO1, PSO2

17	**Problem 3: Bond Price and Yield Relationship** You have a 20-year bond with a face value of $1,000 and a 6% coupon rate. The bond pays interest annually. If the bond is currently trading at $1,150 in the market, calculate its yield to maturity (YTM).	PO1, PO2, PO4, PO8, PSO1, PSO2
18	**Problem 4: Calculating the Current Yield** You hold a bond with a face value of $1,000, a 4% coupon rate, and it is trading in the market at $980. Calculate the bond's current yield.	PO1, PO2, PO4, PO8, PSO1, PSO2
19	**Problem 5: Valuing a Bond with Varying Coupon Rates** You are evaluating a bond with a face value of $1,000 that has a variable coupon rate. In the first year, it pays 4% interest, and the coupon rate increases by 1% each year until it reaches 6%. Calculate the bond's present value if the market interest rate is 5%.	PO1, PO2, PO4, PO8, PSO1, PSO2
20	**Problem 6: Bond Valuation Using the Yield to Call** You are considering a callable bond with a face value of $1,000, a 5% coupon rate, and a call price of $1,050. The bond has 5 years left to maturity and is callable in 2 years. Calculate the bond's value if the current market interest rate is 4%.	PO1, PO2, PO4, PO8, PSO1, PSO2
21	**Problem 7: Valuing a Bond with Annual Cash Flows** You are analyzing a bond with a face value of $1,000, a 6% coupon rate, and 8 years to maturity. The bond pays interest annually. Calculate its present value if the market interest rate is 7%.	PO1, PO2, PO4, PO8, PSO1, PSO2
22	**Problem 8: Valuing a Municipal Bond** You are evaluating a municipal bond with a face value of $5,000, a 4% coupon rate, and a 10-year maturity. Since it is a tax-free bond, the market interest rate is 3%. Calculate the bond's present value.	PO1, PO2, PO4, PO8, PSO1, PSO2
PART-B (Ten Marks Questions)		
1	Describe the various types of preference shares that a company can issue, including cumulative, non-cumulative, participating, and redeemable preferences. Provide examples for each type.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Calculate the annual dividend payment for a cumulative preference share with a par value of $100, a 6% dividend rate, and two years of unpaid dividends.	PO1, PO2, PO4, PO8, PSO1, PSO2
	Discuss the advantages and disadvantages of using preference shares as a source of financing for a company.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	How does the valuation of preference shares differ from the valuation of common shares? Explain the key factors that influence the value of preference shares.	PO1, PO2, PO4, PO8, PSO1, PSO2
4	Provide a step-by-step explanation of how to calculate the value of a preference share using the dividend discount model (DDM). Consider a preference share with a par value of $100, a 7% dividend rate, and an expected dividend growth rate of 4%.	PO1, PO2, PO4, PO8, PSO1, PSO2
5	Compare and contrast the valuation of cumulative and non-cumulative preference shares, including their respective risk profiles and potential dividend payments.	PO1, PO2, PO4, PO8, PSO1, PSO2

6	Explain the concept of preference share call and how it affects the valuation of preference shares. Provide examples to illustrate the impact of a call provision on the value of a preference share.	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Discuss the role of preference shares in a company's capital structure and how they can be used to meet the company's financial objectives. Include a discussion of the types of companies that are more likely to issue preference shares.	PO1, PO2, PO4, PO8, PSO1, PSO2
8	**Problem 1: Calculating the Value of a Cumulative Preference Share** You are evaluating a cumulative preference share with a face value of $100 and a 6% annual dividend rate. The company has missed dividend payments for the last two years. Calculate the value of this preference share if the required rate of return is 8%.	PO1, PO2, PO4, PO8, PSO1, PSO2
9	**Problem 2: Valuing a Non-Cumulative Preference Share** You are analyzing a non-cumulative preference share with a face value of $50 and a 5% annual dividend rate. The company did not pay dividends for the last two years. Calculate the value of this preference share if the required rate of return is 6%.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	**Problem 3: Calculating the Value of a Participating Preference Share** You have a participating preference share with a face value of $1,000, a 7% dividend rate, and participation in profits after common shareholders receive a 10% return. Calculate the value of this preference share if the company's profits are $50,000 and the required rate of return is 8%.	PO1, PO2, PO4, PO8, PSO1, PSO2
11	**Problem 4: Evaluating a Redeemable Preference Share** You are considering a redeemable preference share with a face value of $500, a 4% annual dividend rate, and a redemption period of 5 years. Calculate the value of this preference share if the required rate of return is 5%.	PO1, PO2, PO4, PO8, PSO1, PSO2
12	**Problem 5: Comparing Different Types of Preference Shares** You have three preference shares to evaluate: a cumulative preference share with a 5% dividend rate, a non-cumulative preference share with a 6% dividend rate, and a participating preference share with a 7% dividend rate and 5% participation in profits. Calculate the values of these shares given the same required rate of return of 8%.	PO1, PO2, PO4, PO8, PSO1, PSO2
13	**Problem 6: Valuing a Preference Share with Varying Dividends** You are analyzing a preference share with a face value of $100, a variable dividend rate starting at 4% in the first year and increasing by 1% each year for 5 years until it reaches 8%. Calculate the value of this preference share if the required rate of return is 7%.	PO1, PO2, PO4, PO8, PSO1, PSO2
14	**Problem 1: Dividend Discount Model (DDM)** You are analyzing a common stock that pays an annual dividend. The current dividend is $2 per share, and it is expected to grow at a	PO1, PO2, PO4, PO8, PSO1, PSO2

	rate of 5% annually. If the required rate of return is 10%, calculate the intrinsic value of this stock using the Dividend Discount Model (DDM).	
15	**Problem 2: Gordon Growth Model** You are evaluating a common stock with a current dividend of $3 per share. The stock is expected to have a constant growth rate of 4% in perpetuity. If the required rate of return is 12%, use the Gordon Growth Model to calculate the intrinsic value of this stock.	PO1, PO2, PO4, PO8, PSO1, PSO2
16	**Problem 3: Price-to-Earnings (P/E) Ratio Valuation** You have a common stock with earnings per share (EPS) of $5, and similar stocks in the market have an average P/E ratio of 15. Calculate the market value of this stock.	PO1, PO2, PO4, PO8, PSO1, PSO2
17	**Problem 4: Price-to-Book (P/B) Ratio Valuation** You are analyzing a common stock with a book value per share of $50. Comparable stocks in the market have an average P/B ratio of 2. Calculate the market value of this stock.	PO1, PO2, PO4, PO8, PSO1, PSO2
18	**Problem 5: Discounted Cash Flow (DCF) Valuation** You are valuing a common stock using a DCF approach. The stock is expected to generate cash flows of $4 million in year 1, $5 million in year 2, and $6 million in year 3, with a terminal value of $70 million at the end of year 3. If the discount rate is 10%, calculate the intrinsic value of the stock.	PO1, PO2, PO4, PO8, PSO1, PSO2
19	**Problem 6: Comparing Two Common Stocks** You have two common stocks, Stock A and Stock B. Stock A pays a $2 annual dividend, which is expected to grow at a rate of 8%, while Stock B pays a $3 annual dividend, which is expected to grow at a rate of 4%. If the required rate of return is 12%, calculate the intrinsic values of both stocks and determine which is a better investment.	PO1, PO2, PO4, PO8, PSO1, PSO2
20	**Problem 7: Valuing Growth Stocks** You are assessing a growth stock with no current dividends but expected to start paying dividends in the future. The stock is expected to pay a $1 dividend in year 3, which will grow at a rate of 10% annually thereafter. If the required rate of return is 15%, calculate the intrinsic value of this stock.	PO1, PO2, PO4, PO8, PSO1, PSO2
21	Describe the various types of preference shares that a company can issue, including cumulative, non-cumulative, participating, and redeemable preferences. Provide examples for each type.	PO1, PO2, PO4, PO8, PSO1, PSO2
	UNIT - 5: Portfolio Management	
	PART-A (Two Marks Questions)	
1	Define portfolio management and explain its importance in the field of investment.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	What are the key steps involved in the portfolio management process?	PO1, PO2, PO4, PO8, PSO1, PSO2
3	Differentiate between active and passive portfolio management strategies and provide an example of each.	PO1, PO2, PO4, PO8, PSO1, PSO2

4	Describe the concept of asset allocation in the portfolio management process and its role in risk management.	PO1, PO2, PO4, PO8, PSO1, PSO2
5	What is diversification in the context of investment, and why is it considered a fundamental risk management strategy?	PO1, PO2, PO4, PO8, PSO1, PSO2
6	Define systematic risk and unsystematic risk. How does diversification help mitigate these types of risk?	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Explain the concept of asset diversification and provide an example of how holding a mix of different asset classes can reduce risk.	PO1, PO2, PO4, PO8, PSO1, PSO2
8	Differentiate between concentration risk and diversification. Why is concentration risk a concern for investors?	PO1, PO2, PO4, PO8, PSO1, PSO2
9	Define Modern Portfolio Theory (MPT) and explain its significance in the field of finance.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	What is the key concept that underlies Modern Portfolio Theory, and how does it impact investment decision-making?	PO1, PO2, PO4, PO8, PSO1, PSO2
11	Differentiate between risk and return in the context of MPT. How does MPT seek to balance these two factors?	PO1, PO2, PO4, PO8, PSO1, PSO2
12	Explain the concept of an efficient frontier in MPT and its relevance to portfolio construction.	PO1, PO2, PO4, PO8, PSO1, PSO2
13	Who is Harry Markowitz, and what is his contribution to the field of finance with the development of the Markowitz Model?	PO1, PO2, PO4, PO8, PSO1, PSO2
14	Define the Markowitz Model and explain its primary objective in portfolio management.	PO1, PO2, PO4, PO8, PSO1, PSO2
15	Differentiate between systematic risk and unsystematic risk. How does the Markowitz Model address these types of risk in portfolio construction?	PO1, PO2, PO4, PO8, PSO1, PSO2
16	How does the Markowitz Model facilitate the identification of optimal portfolios based on risk and return preferences?	PO1, PO2, PO4, PO8, PSO1, PSO2
17	**Problem 1: Calculating Beta** You have a stock with a historical return of 12% and the market's return is 10%. Calculate the stock's beta.	PO1, PO2, PO4, PO8, PSO1, PSO2
18	**Problem 2: Expected Return Calculation** You have a stock with a beta of 1.5, the risk-free rate is 3%, and the expected market return is 8%. Calculate the expected return of the stock using the CAPM.	PO1, PO2, PO4, PO8, PSO1, PSO2
19	**Problem 3: Portfolio Beta** You have a portfolio with three stocks with betas of 0.8, 1.2, and 0.5, and their respective weights are 30%, 40%, and 30%. Calculate the portfolio beta.	PO1, PO2, PO4, PO8, PSO1, PSO2
PART-B (Ten Marks Questions)		
1	Explain the four main phases of the portfolio management process: planning, execution, monitoring, and revision.	PO1, PO2, PO4, PO8, PSO1, PSO2
2	Discuss the factors that influence an investor's risk tolerance and how they impact the portfolio management process.	PO1, PO2, PO4, PO8, PSO1, PSO2
3	How does the investment horizon of an investor affect the selection of assets and the management of a portfolio?	PO1, PO2, PO4, PO8, PSO1, PSO2

4	Provide an overview of the various asset classes (e.g., stocks, bonds, real estate) that can be included in a diversified portfolio and their respective characteristics.	PO1, PO2, PO4, PO8, PSO1, PSO2
5	Describe the role of financial goals and objectives in the portfolio management process. How can the alignment of investment goals with portfolio strategies lead to successful outcomes?	PO1, PO2, PO4, PO8, PSO1, PSO2
6	Walk through the process of selecting specific investments within each asset class for a well-diversified portfolio. Include considerations such as risk, return, and correlation.	PO1, PO2, PO4, PO8, PSO1, PSO2
7	Explain the concept of rebalancing in portfolio management and how it helps maintain the desired asset allocation.	PO1, PO2, PO4, PO8, PSO1, PSO2
8	Discuss the challenges and considerations related to international diversification when managing a global investment portfolio.	PO1, PO2, PO4, PO8, PSO1, PSO2
9	Describe the benefits of diversification, including risk reduction, potential for improved returns, and the impact on portfolio volatility.	PO1, PO2, PO4, PO8, PSO1, PSO2
10	Discuss the principles of constructing a diversified investment portfolio by including assets from different asset classes. What is the role of correlation in this process?	PO1, PO2, PO4, PO8, PSO1, PSO2
11	Explain how diversification can help investors manage unsystematic risk. Provide examples of specific events that may affect individual investments.	PO1, PO2, PO4, PO8, PSO1, PSO2
12	How does the number of assets in a portfolio influence the level of diversification and risk reduction? What is the concept of diminishing marginal benefit?	PO1, PO2, PO4, PO8, PSO1, PSO2
13	Walk through a detailed case study illustrating the impact of diversification on an investment portfolio. Include calculations of portfolio risk and returns before and after diversification.	PO1, PO2, PO4, PO8, PSO1, PSO2
14	Discuss the challenges and limitations of diversification, including the difficulty of achieving true diversification in certain market conditions and the potential risks associated with over-diversification.	PO1, PO2, PO4, PO8, PSO1, PSO2
15	Explain the role of cross-asset class diversification in a comprehensive investment strategy. How can investors benefit from diversifying across stocks, bonds, real estate, and other asset classes?	PO1, PO2, PO4, PO8, PSO1, PSO2
16	Analyze the concept of international diversification. What factors should investors consider when adding international assets to their portfolio, and what are the potential benefits and risks?	PO1, PO2, PO4, PO8, PSO1, PSO2
17	Describe the role of the risk-free rate in Modern Portfolio Theory. How does the risk-free rate affect the capital market line (CML) and the security market line (SML)?	PO1, PO2, PO4, PO8, PSO1, PSO2
18	Discuss the assumptions made in Modern Portfolio Theory, including the assumptions about investors, markets, and assets.	PO1, PO2, PO4, PO8, PSO1, PSO2
19	Explain the concept of diversification as a risk management	PO1, PO2, PO4,

	strategy within MPT. How does diversification help in reducing portfolio risk?	PO8, PSO1, PSO2
20	What are the key components of a Markowitz-efficient portfolio, and how is it different from an optimal portfolio according to MPT?	PO1, PO2, PO4, PO8, PSO1, PSO2
21	Walk through the steps involved in constructing an efficient portfolio using Modern Portfolio Theory. Include discussions on risk and return measurements, asset allocation, and the benefits of diversification.	PO1, PO2, PO4, PO8, PSO1, PSO2
22	Analyze the limitations and critiques of Modern Portfolio Theory. What are some of the challenges and assumptions that have been criticized in the application of MPT?	PO1, PO2, PO4, PO8, PSO1, PSO2
23	Discuss the Capital Market Line (CML) and the Security Market Line (SML) in the context of MPT. How do these lines help investors make informed investment decisions?	PO1, PO2, PO4, PO8, PSO1, PSO2
24	Provide a case study illustrating the application of Modern Portfolio Theory in real-world portfolio construction. Include the calculation of portfolio risk and expected return.	PO1, PO2, PO4, PO8, PSO1, PSO2
25	Explain the concept of efficient portfolios in the Markowitz Model. What criteria are used to determine whether a portfolio is efficient?	PO1, PO2, PO4, PO8, PSO1, PSO2
26	Discuss the role of the risk-return trade-off in the Markowitz Model. How does it guide investors in making portfolio decisions?	PO1, PO2, PO4, PO8, PSO1, PSO2
27	Provide an overview of the key assumptions made in the Markowitz Model and their implications for portfolio construction.	PO1, PO2, PO4, PO8, PSO1, PSO2
28	How does the concept of the efficient frontier contribute to the diversification of assets in a portfolio according to the Markowitz Model?	PO1, PO2, PO4, PO8, PSO1, PSO2
29	Describe the step-by-step process of applying the Markowitz Model to construct an efficient portfolio. Include discussions on asset selection, risk measurement, and portfolio optimization.	PO1, PO2, PO4, PO8, PSO1, PSO2
30	Analyze the limitations and challenges associated with implementing the Markowitz Model in real-world investment scenarios. What factors can affect the model's practical application?	PO1, PO2, PO4, PO8, PSO1, PSO2
31	Discuss the impact of changing the investor's risk tolerance on portfolio construction using the Markowitz Model. How do preferences for risk influence the optimal portfolio composition?	PO1, PO2, PO4, PO8, PSO1, PSO2
32	Provide a case study illustrating the use of the Markowitz Model in constructing an investment portfolio. Include the calculation of portfolio risk, return, and efficient frontier.	PO1, PO2, PO4, PO8, PSO1, PSO2
33	**Problem: Constructing an Efficient Portfolio using the Markowitz Model**	PO1, PO2, PO4, PO8, PSO1, PSO2

	Suppose you are an investment advisor helping a client build an investment portfolio. You have identified three assets for consideration: Asset A, Asset B, and Asset C. You need to construct an efficient portfolio for your client based on their risk-return preferences. Here is the relevant information for the three assets: • **Asset A:** ○ Expected Return: 10% ○ Standard Deviation (Risk): 15% • **Asset B:** ○ Expected Return: 8% ○ Standard Deviation (Risk): 10% • **Asset C:** ○ Expected Return: 12% ○ Standard Deviation (Risk): 18% Your client is willing to accept a moderate level of risk and would like to achieve an expected return of 9%. Use the Markowitz Model to construct an efficient portfolio that maximizes return for the given level of risk tolerance (standard deviation). You can invest in each asset in any proportion. Please provide the weight or allocation for each asset in the portfolio to achieve the client's risk-return preference.	
34	What is the Sharpe Single Index Model, and what is its primary purpose in finance?	PO1, PO2, PO4, PO8, PSO1, PSO2
35	Who developed the Sharpe Single Index Model, and when was it introduced?	PO1, PO2, PO4, PO8, PSO1, PSO2
36	What is the key assumption underlying the Sharpe Single Index Model?	PO1, PO2, PO4, PO8, PSO1, PSO2
37	Can you explain the components of the Sharpe Single Index Model equation and their meanings?	PO1, PO2, PO4, PO8, PSO1, PSO2
38	How is the market return typically represented in the model?	PO1, PO2, PO4, PO8, PSO1, PSO2
39	What is the significance of beta in the Sharpe Single Index Model, and how is it calculated?	PO1, PO2, PO4, PO8, PSO1, PSO2
40	How do you calculate the expected return of a stock or portfolio using the Sharpe Single Index Model?	PO1, PO2, PO4, PO8, PSO1, PSO2
41	How is the risk (standard deviation) of a stock or portfolio assessed within the model?	PO1, PO2, PO4, PO8, PSO1, PSO2
42	What are the limitations or criticisms of the Sharpe Single Index	PO1, PO2, PO4,

	Model?	PO8, PSO1, PSO2
43	How can investors use the Sharpe Single Index Model in portfolio management and investment decision-making?	PO1, PO2, PO4, PO8, PSO1, PSO2
44	Can you provide an example of how the Sharpe Single Index Model is applied to assess the risk and return of a stock or portfolio?	PO1, PO2, PO4, PO8, PSO1, PSO2
45	How does the Sharpe Single Index Model relate to the concept of the risk-return trade-off in finance?	PO1, PO2, PO4, PO8, PSO1, PSO2
46	What are some real-world applications or practical uses of the Sharpe Single Index Model?	PO1, PO2, PO4, PO8, PSO1, PSO2
47	Feel free to ask for more detailed explanations or examples for any of these questions if you need further clarification on any specific aspect of the model.	PO1, PO2, PO4, PO8, PSO1, PSO2
48	What is the Capital Asset Pricing Model (CAPM), and why is it important in finance?	PO1, PO2, PO4, PO8, PSO1, PSO2
49	Who developed the CAPM, and when was it introduced?	PO1, PO2, PO4, PO8, PSO1, PSO2
50	What are the key components of the CAPM equation, and what do they represent?	PO1, PO2, PO4, PO8, PSO1, PSO2
51	How is the risk-free rate typically determined in the CAPM?	PO1, PO2, PO4, PO8, PSO1, PSO2
52	What is beta in the CAPM, and how is it calculated?	PO1, PO2, PO4, PO8, PSO1, PSO2
53	How does the CAPM use beta to measure systematic risk?	PO1, PO2, PO4, PO8, PSO1, PSO2
54	Explain the concept of the Security Market Line (SML) and its relationship with the CAPM.	PO1, PO2, PO4, PO8, PSO1, PSO2
55	What is the role of the market risk premium in the CAPM, and how is it calculated?	PO1, PO2, PO4, PO8, PSO1, PSO2
56	How can an investor use the CAPM to assess the expected return of an investment or portfolio?	PO1, PO2, PO4, PO8, PSO1, PSO2
57	What are some limitations and criticisms of the CAPM in real-world investing?	PO1, PO2, PO4, PO8, PSO1, PSO2
58	How does diversification affect the CAPM's application in portfolio management?	PO1, PO2, PO4, PO8, PSO1, PSO2
59	Can you provide an example of how to calculate the expected return of an asset using the CAPM?	PO1, PO2, PO4, PO8, PSO1, PSO2
60	How does the CAPM relate to the risk-return trade-off in financial investments?	PO1, PO2, PO4, PO8, PSO1, PSO2
61	What is the significance of the CAPM for financial professionals, such as portfolio managers and investors?	PO1, PO2, PO4, PO8, PSO1, PSO2
62	How has the CAPM been applied in practice, and what are some alternative models used in modern finance?	PO1, PO2, PO4, PO8, PSO1, PSO2

63	**Problem 1: Calculating Expected Return Using CAPM** You have a stock with a beta of 1.2, the risk-free rate is 3%, and the expected market return is 9%. Calculate the expected return of the stock using the CAPM.	PO1, PO2, PO4, PO8, PSO1, PSO2
64	**Problem 2: Calculating Beta** You have a stock with a historical return of 15%, the market's return is 12%, and the stock's standard deviation is 20%. Calculate the stock's beta.	PO1, PO2, PO4, PO8, PSO1, PSO2
65	**Problem 3: Portfolio Expected Return** You have a portfolio with two stocks. Stock A has a beta of 1.2, and Stock B has a beta of 0.8. The weights of the stocks in the portfolio are 40% for Stock A and 60% for Stock B. If the risk-free rate is 4% and the expected market return is 10%, calculate the expected return of the portfolio using CAPM.	PO1, PO2, PO4, PO8, PSO1, PSO2