UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End Semester Examination (Online) – May, 2021

Program: MBA Finance
Subject/Course: Investment Analysis and Portfolio Management
Course Code: FINC7021P

Semester : II
Max. Marks: 100
Duration : 3 Hours

	Section A	
	1. **Each question carries 5 marks.** 2. **Instructions- Select the correct answers.**	
S No	**Question**	**CO**

Q1	On a developed securities exchange, asset prices accurately reflect the trade-off between relative risk and ……….
	    A) Historical Returns
	    B) Expected Returns
	    C) Standard Deviation of returns
	    D) Probability of returns
		CO1

Q2	Which of the following is not included in investment policy statement?
	    A) Risk tolerance of investors
	    B) Portfolio constraints
	    C) Securities in which investments are finalized
	    D) Sharpe ratio
		CO1

Q3	Terms like growth or income may mean different things to different people?
	    A) True
	    B) False
		CO1

Q4	FAMA French model focuses only on the size and book to market value ratio.
	    A) False
	    B) True
		CO1

Q5	With APT, it is possible for few stocks to be mispriced- not lie on SML
	    A) False
	    B) True
		CO2

Q6	Equivalent assets should sell for the same price, this is called ……
	    A. CAPM
	    B. Expected probability
	    C. Law of one price
	    D. Law of small numbers
		CO2

Section B
1. **Each question carries 10 marks.**
2. **Instructions: Write short answers.**

Q7	Write a note on short-selling, and trading costs.	CO2
Q8	What is CAPM? Write the assumptions of CAPM.	CO2
Q9	What is portfolio diversification and how is useful to portfolio manager?	CO3
Q10	Draw efficient frontier and also explain its significance.	CO3
Q11	Security analysis is a systematic process to identify stocks. As a portfolio manager, what are the steps you will follow to choose stocks?	CO4

Section C
1. **Each question carries 20 marks.**
2. **Show all the steps in calculating the required values until three decimal places.**

| Q12 | The following table presents the return and risk for three securities, calculate the expected return and risk for the portfolio. | CO4 |

Table 2

	Security A	Security B	Security C
Expected return	14%	8%	25%
Standard deviation	16%	12%	42%
Correlation between A and B is 0.21, B and C is 0.13, and A & C is 0.75			
Weight	30%	30%	40%

OR

Suppose you are an intern at ABC Ltd. You have to prepare a report highlighting that the markets (financial) are not always rational. Mention the important points you will include in the report and do provide the rationale.