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| **SESSION** | **Sep 2023** |
| **PROGRAM** | **master of COmmerce** |
| **SEMESTER** | **III** |
| **course CODE & NAME** | **DCM7105 – Security analysis and portfolio management** |
| **CREDITS** | **4** |

**Assignment Set – 1**

**Questions**

**1. Explain the characteristics of investment. What are the common mistakes made by investors in investment management?**

**Ans:Characteristics of Investment:**

**Return Expectation:** Investors expect a return on their investment, whether in the form of capital appreciation, dividends, interest, or a combination of these.

**Risk:** All investments involve some level of risk. Risk refers to the uncertainty of achieving the expected return. Different types of

**2. Discuss the following:**

**A. Primary market and Secondary market**

**B. Money market and Capital market**

**Ans:A. Primary Market and Secondary Market:**

**1. Primary Market:**

**Definition:** The primary market is where new securities are issued and sold for the first time. It is the initial point of issuance, and the securities are typically sold directly by the issuing company to investors.

**Purpose:** Companies raise capital in the primary market to fund new projects, expansions, or meet financial

**3. The distribution of returns for share P and the market portfolio M is given below:**

|  |  |  |
| --- | --- | --- |
| **Probability** | **Return(%)** | |
| **P** | **M** |
| **0.3** | **10%** | **15%** |
| **0.2** | **20%** | **25%** |
| **0.2** | **-10%** | **-5%** |
| **0.3** | **30%** | **20%** |

**You are required to calculate the expected return and risk of security P and the market portfolio.**

**Ans:To calculate the expected return and risk of security P and the market portfolio, we can use the following formulas:**

**Expected Return (μ): = ∑E(R) =∑ i ​ (P i ​ ×R i ​ )**

**Where:** E(R) is the expected return, P i ​ is the probability of return R

**i ​ . Variance (Risk):**

Variance = ∑ 2 Variance=∑ i ​ P i ​ ×(R i ​ −E(R)) 2

**Standard**

**Assignment Set – 2**

**Questions**

**1. Compare the fundamental and technical analysis techniques of security analysis.**

**Ans:Fundamental Analysis vs. Technical Analysis:**

**A Comparison**

**1. Objective: Fundamental Analysis:**

**Objective:** Evaluates the intrinsic value of a security by analyzing financial statements, economic indicators, and industry trends.

**Focus:**

**2. An Investor has invested 60 % of his money in security A and 40% in security B. calculate the expected return and expected risk of his portfolio if the details of security A and B is given below:**

|  |  |  |
| --- | --- | --- |
| **Probability** | **Return (%)** | |
| **A** | **B** |
| **0.2** | **15%** | **15%** |
| **0.3** | **20%** | **25%** |
| **0.2** | **-10%** | **5%** |
| **0.3** | **30%** | **20%** |

**Ans:**To calculate the expected return and expected risk of the portfolio, we can use the weighted average of the returns for each security based on the investor's allocation.

**The formulas are as follows:**

**Expected Return of the Portfolio E(R p ​ )):** = E(R p ​ )=w A ​ ×E(R A ​ )+w B ​ ×E(R B ​ )

**Expected Risk of the Portfolio (Variance and Standard Deviation):**

**Variance =** 2 × Variance p ​ =w A 2 ​ ×Variance A ​ +w B 2 ​ ×Variance B ​ +2×w A ​ ×w B ​ ×Cov(R A ​ ,

**3. Discuss the following:**

**A. Capital Asset Pricing Model (CAPM).**

**B. Systematic (Market) and Unsystematic (Unique) Risk**

**Ans:A. Capital Asset Pricing Model (CAPM):** The Capital Asset Pricing Model (CAPM) is a widely used financial model that establishes a linear relationship between the expected return of an asset and its systematic risk. Developed by William Sharpe, John Lintner, and Jan Mossin, CAPM is a crucial tool in asset pricing and portfolio management.

**The key**