(b) What are the limitations of technical analysis? (8)

6. Explain any **three** of the following : (3x5)

(a) Inflation risk

(b) Arbitrage

(c) Abnormal return

(d) Business risk

[This question paper contains 4 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : 7715 **H**

Unique Paper Code : 2924001005

Name of the Paper : Essentials of Financial Investment

Name of the Course : **BBA (GE)**

Semester : II

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. **All** questions carry equal marks.
3. Attempt **all** questions.
4. Use of simple calculator is allowed.

1. "Investment is well grounded and carefully planned speculation". In the light of the above statement, explain and differentiate between investment and speculation. How do they differ from gambling ? (15)

2. What is the expected return? How can it be calculated if a probability distribution of returns is given? Illustrate with the help of a hypothetical example. (15)

3. The returns on two securities under four possible states of nature are given below :

State of Nature	Prob. (Pi)	RA (%)	RB(%)
1	0.2	7	4
2	0.4	9	10
3	0.3	14	18
4	0.1	18	28

Find :

(a) Expected return on security A and security B.

(b) Risk (in terms of S.D.) on security A and B.

(c) Covariance between returns on security A and B.

(d) Coefficient of correlation between the returns of security A and B. (15)

4. The beta of a stock is 1.2, and the standard deviation of its return is 15%. The S.D. of the market portfolio is 10%, and the expected market return is 12%. The risk-free rate is 5%. Calculate :

(i) Market risk premium

(ii) Risk premium of the stock

(iii) Expected return on the stock

(iv) Abnormal return of the stock (if any) if the actual average return on this stock is 13%.

(v) Unsystematic risk of the stock (15)

5. (a) In a portfolio of the company Rs. 200000 have been invested in asset X which has an expected return of 8.5%, Rs. 280000 in asset Y which has an expected return of 10.2% and Rs. 320000 in asset Z which has an expected return of 12%. What is the expected return for the portfolio? (7)