FELLOWSHIP EXAMINATION
ASSET MANAGEMENT

[Time : 3 Hours]
Answer any FIVE questions only.
All questions carry 20 marks each.

Q.1 Write short notes on:
   a) Index Options.
   b) Public Debt Office.
   c) Person of Indian Origin.
   d) Functions of Assets Management Co.

   Marks  5 each

Q.2 Distinguish between:
   a) In the Money and Out of the Money Options.
   b) Manufacturing Industries and Service Industries.
   c) Arithmetic and Exponential Moving Averages.
   d) Redemption Yield and Current Yield.

   5 each

Q.3 Differentiate between:
   a) Role of a Chief Financial officer v/s Role of a Chief Investment officer
      in an Insurance co.
   b) Diversifiable Risk v/s Non Diversifiable Risk.
   c) Technical Analysis v/s Fundamental Analysis.
   d) Primary v/s Secondary Market.

   5 each

Q.4 Answer any two of the followings:
   a) Distinguish between a Ready Delivery Contract and a Forward Contract.
   b) What are the advantages of having a futures market?
   c) The current price of a share in Prestige Ltd is ₹50/-. and the risk free
      rate is 0.8% per month. Find out the futures price if the futures contract
      will mature in 3 months.

   10 each

Q.5 a) Portfolio Review is essential for all investment activities. Discuss.
    b) On 28/03/2010, M Ltd contracted for purchase of 10,000 shares of
       X Ltd of ₹10 each at ₹600 per share. On 4/4/2010, M Ltd received credit
       for ₹65,000 for 1000 shares not delivered by the seller and hence squared
       off in settlement. On 29/09/2010, M Ltd sold 2,000 shares at ₹550 per
       share. On 4/4/2010, the balance shareholding of M Ltd in X Ltd was sold
       off for ₹800 per share. On 5/12/2010 X Ltd received dividend at the rate
       of ₹25 per share on the eligible holdings. Assuming that the transactions
       were on NSE and all regulatory compliances had been adhered to, State
       and discuss the tax implications of the transactions.

   10 each

Q.6 a) Explain Capital Asset Pricing Model alongwith its underlying assumptions.
    b) According to the researching of a brokerage house, the following scenario
       is likely in the near future.

   5
   15
Market return: between 6% and 20%
Stock A: between 2% and 30%
Stock D: between 8% and 16%

1) Please find out the beta of the two stocks A&D

2) Find out the expected return on both these stocks, if the market return is equally likely to be 6% or 20%.

3) If the risk-free rate is 7%, what will be the market risk premium? (Assume the market return is equally likely to be 6% or 20%)

Q.7 “Asset Management function in an insurance company is very easy; you have to just follow the IRDA guidelines” - Elaborate?

Q.8 Mutual funds are considered a “packaged way to invest”. Discuss the various components in the package with reference to the Mutual Fund industry in India.

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