**Capital Market and Portfolio Management**

**December 2022 Examination**

**1. Assume that you are planning to invest in the capital market. What steps will you follow to start trading in the capital market? (10 Marks)**

# Ans 1.

# Introduction

A capital market is a financial market in which long-lasting debts, financial safety, and securities are bought and sold by customers. The significant difference between the capital and cash markets is that the cash market handles temporary debts and loans, while the long-term debts sell long-lasting loans and debts. There are two various main types of capital markets that are adhered to:

1. Equity markets

2. Debt markets

# The equity market is a kind of capital market in which the shares of various firms and legal

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**2. You are given the following information on two stocks BI and B2. The stock B1**

**performed well in a slowdown as compared to B2. Both the shares are selling at Rs.90 per share. The estimated rupee return of the stock is given as follows:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Economy’s**  **Behavior** |  |  |  |  |
|  | **High Growth** | **Low Growth** | **Stagnation** | **Recession** |
| **Probability** | **0.45** | **0.25** | **0.2** | **0.1** |
| **Return on B1** | **90** | **98** | **106** | **122** |
| **Return on B2** | **120** | **104** | **72** | **48** |

**Calculate the expected return and risk in the following cases:**

**1. When you invested 5000 in B1**

**2. When you invested 5000 in B2**

**Write down your preferences (10 Marks)**

**Ans 2.**

**Introduction:**

When an investor invests in more than one supply on the market, his investments are jointly referred to as the portfolio of investment. The return earned by the investor on his investments instead of the risks he takes by investing his resources is known as the return from the portfolio. An investor constantly anticipates a positive return from the funds invested. The actual return may or may not be a good number. The investor might, in some cases, lose money. Hence, before investing, the investors examine the stock's previous performance under different conditions to establish their anticipated return from the value

**3. There is an ongoing debate regarding fundamental analysis and technical analysis. One school of thought supports fundamental analysis, while the other school supports that the stock market cannot work effectively without technical analysis" these statements have raised confusion among the investors.**

**a. As a security analyst how do you effectively explain the difference between fundamental and technical analysis to the investors? (5 Marks)**

**Ans 3a.**

**Introduction**

In the capital market, the security analyst plays a vital function. The main job of the security analyst is to run technical and fundamental analyses of the securities sold on the market. The security analyst helps the investors of the capital markets a great deal to decide the investment options that they can use themselves. The security analyst uses many different

**b. Do you prefer one analysis over the other? Give reasons for your choice. (5 Marks)**

# Ans 3b.

# Introduction

Security analysts perform an essential task In the capital market. The security analyst expects an extremely fundamental component. The necessary control of the security master is to run technical and essential analyses of the insurances being traded in the marketplace. The