**Capital Market and Portfolio Management**

**April 2023 Examination**

**1. What distinguishes marketable financial instruments from the non-marketable financial instruments. Support the comparison with an illustration (10 Marks)**

**Ans 1.**

**Introduction**

Monetary units can be described as belongings that can be bought or offered, or they can also be considered packages of capital that may be bought and sold. These assets are primarily in cash, a contractual proper to acquire or supply cash or another financial instrument, or evidence of a character's ownership in some entity. Many financial devices provide ok flow and transfer of capital amounts throughout the world's traders and investors.

Examples of financial instruments are ETFs, shares, mutual price ranges, CDs, derivatives contracts, and It is only half solved

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**2. “Stock markets are more efficient and less predictable”. Comment on and justify your answer (10 Marks)**

**Ans 2.**

**Introduction**

The term stock market can be defined because of the several exchanges in which shares of publicly listed companies are bought and acquired. Such financial activities are performed through various formal exchanges through OTC (over-the-counter) Marketplaces that operate below a described set of regulations.

"Stock trade" and "stock market" are typically used interchangeably. Traders and traders in the stock market promote or buy shares at the stock exchanges, which might be a part of the

**3. An analyst calculates the expected return of the two stocks in comparison to the particular market return, as**

|  |  |  |
| --- | --- | --- |
| **Market Return** | **Stock Z** | **Stock Y** |
| **5%** | **3%** | **10%** |
| **20%** | **25%** | **20%** |

**a. Calculate the beta of the stocks (5 Marks)**

**Ans 3a.**

**Introduction**

A stock of a corporation that swings more than the market as an entire over duration has a beta of more than 1.0. If a stock moves less than the market as a whole, then the beta of a stock is less than 1.0. Shares with excessive beta are riskier but provide a high rate of returns. On the other hand, low-beta shares are viewed

Investors can measure or determine the correct chance-praise ratio of their portfolios. Investors looking for average danger returns may lean toward low beta shares, which means their prices could fall less than the total market during downfalls. However, investors looking for a high fee of returns gravitate to high-beta stocks.

**b. What would be the expected return of the two stocks in case there is equal chance of market return to be 5% and 20% (5 Marks)**

**Ans 3b.**

**Introduction**

Every investor appears for a higher return charge when investing in stocks and mutual funds. However, the risk-taking capacities of all buyers are unique from every other. Some investors have a massive appetite for risk and are more likely to generate better returns than investors