**Capital Market & Portfolio Management**

**1) Net income = ₹3, 00,000/- preferred dividend = ₹30,000/- during the year. In addition it also had ₹30, 00,000 total shares outstanding during the year and ₹5, 00,000/- preferred stock. Calculate ROE of the organization.**

**Ans :**

**Introduction**

Return on equity (ROE) is a critical financial metric that assesses a company's profitability and efficiency in producing income for its shareholders. It measures the go-back generated on shareholders' equity invested within the business. For buyers and analysts, ROE is a critical indicator of an organization's overall economic performance and is frequently used to evaluate its overall fitness and attractiveness as an investment.

Understanding ROE entails analyzing the net income because of common shareholders concerning the equity to be had to the one's shareholders. It answers the fundamental question: "How successfully is a company utilizing its equity to generate profits?"

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**2) Your collogue is interested to invest in derivative market. But he doesn’t have a good knowledge about it. He wants some information about different types of derivatives. Explain him different types of derivatives.**

**Ans :**

**Introduction**

Derivatives are financial devices whose value is derived from the value of an underlying asset, index, or charge. They are essential in modern finance, allowing investors to manage risk, speculate on fee movements, and decorate investment returns. Derivatives have gained tremendous popularity in financial markets due to their versatility and ability to cater to various threat management strategies.

In essence, derivatives function contracts between parties, the client (long position) and the seller (short work), and their price is related to the anticipated future fee movements of the

**3) a) Your friend wanted to invest in stock market. But he is confused how much amount to invest in different stocks. With the help of sharpe ratio, help your friend to prepare optimum portfolio.**

|  |  |
| --- | --- |
| **Stock** | **Sharpe Ratio** |
| **S1** | **1.5** |
| **S2** | **2** |
| **S3** | **2.5** |
| **Total** | **6** |

**Ans ;**

**Introduction to the Sharpe Ratio:**

The Sharpe Ratio is a widely used measure in finance to assess the chance-adjusted go-back of a funding or portfolio. It was advanced by way of Nobel laureate William F. Sharpe. The ratio helps traders examine the trade-off between threats and go back and make informed

**b) If you have Rs.10, 000/- & decides to invest 40% in mutual fund and rest in shares. Expected return from mutual fund is 8% & from shares is 12%. How will you calculate total expected return?**

**Ans :**

**Introduction:**

Investing is a crucial factor in financial planning and wealth creation. It involves allocating funds in various financial contraptions to generate ability returns. One common approach is diversifying investments in mutual budgets and shares. This approach allows for publicity to both marketplace diversity and potential growth. In this scenario, we have Rs. 10,000 to invest, with 40% allotted to the mutual price range and the relaxation of shares. We can