**Portfolio Management**

**December 2023 Examination**

**Q1. Research says that maximum people do not have financial literacy. For financial freedom it is necessary to do proper financial planning and for successful financial planning have to adopt right steps. Explain these steps.**

**Ans :**

**Introduction**

Financial literacy is a crucial element in achieving financial freedom and security. Sadly, a massive portion of the population lacks financial literacy, putting them at risk of financial challenges and hindering their journey toward financial well-being. Financial freedom includes proper economic planning and strategic management of assets and investments.

Financial planning is a comprehensive process that involves evaluating one's current financial status, setting achievable financial goals, and creating a roadmap to attain those goals. A hit financial planning calls for a systematic approach and adherence to specific steps. These steps

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**Q2. Tax planning helps to reduce tax liability. It also helps to take maximum benefit of tax exemption & tax deduction. If your friend does not know the advantages of tax planning, so explain how tax planning is helpful to reduce tax burden.**

**Ans:**

**Introduction**

In financial control, tax planning is an essential and critical discipline that allows people and organizations to strategically navigate the complex panorama of taxation. The essence of tax planning lies within the art of minimizing tax liability through a meticulous understanding and application of tax laws, rules, exemptions, and deductions. It seeks to lessen the weight of taxes; however, it also aims to optimize tax benefits and exemptions in the purview of legality. By intricately arranging financial affairs and transactions, tax planning ensures taxpayers fulfill their fiscal responsibilities in the most tax-efficient manner possible.

Tax planning is a dynamic process requiring complete knowledge of tax codes and prudent

**Q3.**

**a) “Covariance and Correlation shows the relation between two securities it also show how they perform together” elaborate it & also calculate correlation coefficient if COV (x,y) = 1.90, σX = 1.8, σY = 2.2**

**Ans ;**

**Introduction**

Portfolio management is a vital practice in finance aimed toward optimizing returns while managing risks. To gain this, buyers often diversify their portfolios by including various securities. Knowledge of the relationships among those securities is fundamental. Covariance and correlation are critical to assess those relationships and comprehend how different

**b) Mr. Rahul wanted to invest in equity market for that purpose fundamental analysis is very important. While doing fundamental analysis of any company ratio analysis play a very important role. Explain the uses of ratio analysis.**

**Ans:**

**Introduction**

Ratio analysis is a fundamental device in economic analysis, aiding investors like Mr. Rahul in assessing a company's performance, economic health, and ability for future growth. It involves evaluating various financial ratios derived from an organization's monetary statements, such as the balance sheet, earnings statement, and cash drift statement. Those ratios offer vital insights into a company's operational efficiency, profitability, solvency,