**Capital Market & Portfolio Management**

**NMIMS Solved Assignments for December 2024**

**Q1. Suppose you are advising a friend who is unsure about investing. What key factors would you explain to them to help them make a more informed decision?**

**Answer:**

**Introduction:**

When advising a friend about investing, it’s crucial to start by explaining the basics of investment and its importance. Investing involves putting money into assets like stocks, bonds, or real estate to generate potential returns over time. Unlike saving, which primarily focuses on safety and liquidity, investing aims for growth by taking on various levels of risk. Emphasize that investment decisions should align with personal financial goals, such as wealth creation, retirement planning, or education funding. Additionally, highlight that understanding key factors—such as risk tolerance, investment horizon, and market knowledge—can significantly improve decision-making. By grasping these fundamentals, your friend can make more informed choices that align with their financial aspirations and risk appetite, ultimately setting a path toward financial stability and growth.

**This is partially solved sample answer**

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**Q2. Suppose you had to create a visual representation of stock return distributions. What features would you include to effectively illustrate the characteristics of both types of stock return distribution and their impact on understanding stock performance?**

**Answer:**

**Introduction:**

In financial analysis, understanding stock return distributions is essential to gauge stock performance and risk. Stock returns can follow different distribution types, commonly normal and non-normal, each with unique characteristics that impact investment decisions. Visualizing these distributions helps investors and analysts to comprehend patterns, including central tendency, dispersion, skewness, and kurtosis. By illustrating these features, we can compare the spread and shape of returns, identifying potential risks or volatility trends. An effective visual representation may include histograms, probability density curves, and summary statistics. Such visuals not only highlight the likelihood of returns but also emphasize extreme movements, aiding in assessing the consistency and potential risk factors in stock performance, crucial for informed investment strategies.

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**Q3a. ABC Ltd earned a net income = ₹4,00,000/- at the end of the year 31st March 2020. Shareholder’s equity on 31st March 2019 = ₹16,00,000/- & on 31st March 2020 = ₹15,00,000/- Calculate ROE for the year ended 31st March 2020.**

**Answer:**

**Introduction:**

This question focuses on calculating the Return on Equity (ROE) for ABC Ltd. at the end of the fiscal year, 31st March 2020. ROE is a key financial metric that measures a company's profitability relative to shareholders' equity, indicating how effectively management uses equity financing to generate income. By examining net income and average shareholder equity, ROE provides insight into the company’s efficiency and overall financial health for the year.

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**Q3b. Imagine you are an investment adviser and your client decides to invest Rs.10,000/- in multiple investment avenues. He decides to invest 40% in mutual fund and rest in shares. Expected return from mutual fund is 8% & from shares is 12%. Calculate total expected return for your client.**

**Answer:**

**Introduction:**

In this scenario, a client seeks to invest Rs. 10,000 in two avenues: mutual funds and shares. Allocating 40% to mutual funds, with an expected return rate of 8%, and the remaining 60% to shares, expecting a 12% return, the client aims to diversify and maximize potential returns. By calculating the total expected return from both investment channels, we can help the client understand the potential earnings based on these investment allocations and expected return rates.

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