



JK Lakshmipat University Jaipur
INSTITUTE OF MANAGEMENT

End Term Examination, May 2026
BBA Semester IV, 2025-26

Roll No.....

FA1128: Financial Securities and Investments

Time: 2 hours

Max. Marks: 30

Instructions to students:

1. Do not write anything other than your roll number on question paper.
2. Mention all the assumptions for your answers clearly.
3. Non-memory scientific calculator is allowed.

- Q.1 Investors select assets consistent with their risk tolerance. Some investors may not be able to deal with the risk associated with common stocks. Explain what methodology such investors are likely to adopt while choosing or deciding their investments. *Marks 3 (CO 1,3)*
- Q.2 Alternative Investment Funds (AIFs) can be classified into different types of investment strategies and the types of assets under management. Discuss AIFs, with particular emphasis on the category of funds that promote startups and entrepreneurial culture in India. *Marks 3 (CO 1,4)*
- Q.3 How effective is diversification in reducing portfolio risk? Are there limits to diversification? Do its effects occur immediately? *Marks 3 (CO2,4)*
- Q.4 Given the following information: *Marks 3 (CO 2,5)*
 $\sigma_x = 12\%$, $\sigma_y = 20\%$
 $E(R_x) = 18\%$, $E(R_y) = 25\%$
Correlation coefficient = 0.60
Calculate the covariance between X and Y.
- Q.5 Alpha Ltd., a hedge fund, follows a long-short equity strategy and claims to generate absolute returns regardless of market conditions. *Marks 4 (CO 1,2)*
Answer the following questions:
 1. Differentiate between absolute return and relative return strategies.
 2. How do hedge funds benefit from market inefficiencies?
 3. Explain how non-normal return distributions affect risk measurement.
 4. Evaluate whether hedge funds are suitable for retail investors.
- Q.6 An investor is evaluating 3 assets: *Marks 4 CO (5)*
- | Asset | Return | Risk |
|-------|--------|------|
| A | 10% | 12% |
| B | 14% | 20% |
- Given: Correlation Coefficient (r_{ab}) = 0.45
Calculate the portfolio risk and minimum variance portfolio.
- Q.7 Efficient Frontier is a core concept in portfolio optimization. On the basis of given information plot efficient frontier for the investor. The correlation coefficient associated with the frontier is: $r_{ab} = -0.31$ *Marks 5 (CO 4,5)*

X _a	X _b
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0.9	0.1
0.75	0.25
0.45	0.55
0.55	0.45
0.25	0.75
0.1	0.9

- Q.8 The SEBI Alternative Investment Fund (AIF) Regulations classify AIFs into three categories for registration and operational purposes. Explain these categories and compare them in terms of definition, scope, and risk strategy. *Marks 5 (CO 1,4)*

all the best!