22 Lecture - MGT201

Important Subjective

1. **What is the difference between systematic and unsystematic risk?**
   Ans: Systematic risk is the risk that affects the entire market, while unsystematic risk is the risk that only affects a specific company or industry.

2. **What is portfolio diversification?**
   Ans: Portfolio diversification is the strategy of investing in a variety of assets with different levels of risk to reduce overall investment risk.

3. **What is the efficient frontier in portfolio theory?**
   Ans: The efficient frontier is the set of optimal portfolios that offer the highest expected return for a given level of risk.

4. **How is portfolio risk measured?**
   Ans: Portfolio risk is measured by the standard deviation of returns, which is a statistical measure of the degree to which returns vary from the expected value.

5. **What is the Capital Asset Pricing Model (CAPM)?**
   Ans: The Capital Asset Pricing Model (CAPM) is a financial model that measures the relationship between risk and expected return in a portfolio.

6. **What is the Sharpe ratio?**
   Ans: The Sharpe ratio is a measure of risk-adjusted return that considers the excess return of an investment relative to its risk.

7. **What is the difference between a market portfolio and a diversified portfolio?**
   Ans: A market portfolio is a portfolio that contains all assets in the market, while a diversified portfolio contains a variety of assets with different levels of risk.

8. **What is the concept of correlation in portfolio analysis?**
   Ans: Correlation is a statistical measure that indicates the degree to which two assets move in relation to each other. In portfolio analysis, correlation is used to determine the diversification benefits of including multiple assets in a portfolio.

9. **What is the difference between a minimum variance portfolio and a maximum return portfolio?**
   Ans: A minimum variance portfolio is a portfolio that has the lowest possible risk for a given level of return, while a maximum return portfolio is a portfolio that has the highest possible return for a given level of risk.

10. **What is portfolio optimization?**
    Ans: Portfolio optimization is the process of selecting the optimal combination of assets to achieve a specific investment goal, such as maximizing returns or minimizing risk.