ASSIGNMENT

Course Code	**:**	**MMPF-007**
Course Title	**:**	**Equity Markets**
Assignment Code	**:**	**MMPF-007/TMA/JAN /2026**
Coverage	**:**	**All Blocks**

Note: Attempt all the questions and submit this assignment to the Coordinator of your study centre. Last date of submission for January 2026 session is 30th April, 2026 and for July 2026 session is 31st October, 2026.

1. Distinguish between 'Systematic risk' and 'Unsystematic risk'. Describe how risk can be classified based on its sources.

2. What is 'Book Building'? What are the advantages and disadvantages of using this process for raising Capital by a company? Discuss the roles and responsibilities of different Intermediaries involved in the Book Building Process.

3. Explain the role of SEBI in Investor protection and discuss the new provisions relating to Investor Protection Fund and Investor Services Fund.

4. Discuss the importance of 'Financial Ratios' for company analysis. Explain the different types of financial ratios used to analyze a company's performance.

5. What is a 'Stock Market Index'? Explain the different steps and considerations involved in construction of a Stock Market Index.

1. Distinguish between ‘Systematic risk’ and ‘Unsystematic risk’. Describe how risk can be classified based on its sources.

Answer

Risk in equity investment means the possibility that the actual return may differ from the return expected by an investor. The difference may arise because of changes in the whole economy or because of factors affecting only a particular company or industry. For analysis, total investment risk is commonly separated into systematic risk and unsystematic risk. This distinction is important because the two types of risk behave differently when securities are combined in a portfolio.

Systematic risk and unsystematic risk

Basis	Systematic risk	Unsystematic risk
Meaning	Risk arising from broad economic and market forces that affect a large number of securities.	Risk arising from company-specific or industry-specific factors.
Coverage	Affects the market or a major segment of it.	Normally affects one company, a small group of companies or one industry.
Diversification	Cannot be eliminated merely by holding many different shares.	Can be reduced substantially through proper diversification.
Common causes	Changes in interest rates, inflation, recession, major policy changes, war, broad market sentiment and economy-wide shocks.	Management decisions, strikes, product failure, financing problems, loss of a major customer, plant breakdown or firm-specific litigation.
Measurement	Often represented by beta when the risk of a share is compared with movements in the market portfolio.	Usually reflected in the residual or firm-specific variation left after market-related effects are separated.
Investor response	Managed mainly through asset allocation, hedging and selection of risk exposure.	Managed mainly through diversification and careful security selection.

Systematic risk is therefore also called market or non-diversifiable risk. Even a well-diversified equity portfolio remains exposed to it because the underlying causes influence many companies at the same time. For example, a sharp rise in