REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING AND FINANCE

INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT

HBAF 203

PART 2 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE: JULY 2022

TIME: 3 HOURS

INSTRUCTIONS

1. This paper has ***six (6)*** questions
2. Answer question ***one (1)*** and ***any*** other **three (3)**
3. Each question carries ***25 marks***
4. Start each question on a new page

1. Analyze any five roles played by financial markets in Zimbabwe. [25]

2. Citing relevant examples, compare and contrast the CAPM and APT. [25]

3. Examine the following terms used in Investment Analysis and Portfolio Management:

   a) Risk (5)
   b) Return (5)
   c) Technical Analysis (5)
   d) Fundamental Analysis (5)
   e) Broker (5)

4. Giving relevant examples, examine the efficient market hypothesis (EMH) in Investment analysis and portfolio management. [25]

5. a) (i) Examine any two types of bonds you are familiar with. (10)

(ii) Assume the following data of a $1000 par value bond:

Coupon rate = 8%

Time to Maturity = 20 years

Discount Rate = 10%

Required:

Calculate the value of the bond (10)

(b) You are given the following information:

Current dividend = $2.50

Required Rate of Return =16%

Growth rate of dividends (constant) =8%

Required:

Calculate the value of the share (5)

6. (i) Consider the following information about two stocks where the probability of an economic boom is 50%.

Economic state	**Return A (R_A)**	**Return B (R_B)**
Boom	20%	10%
Recession	-5%	12%

(a) Determine the expected return for stock A and stock B. [5]

(b) Calculate the standard deviation of stock A and stock B. [7]

(c) Calculate the covariance of stock A and stock B. [4]

(d) Calculate the total risk (standard deviation) of a portfolio, where 1/8 of your money is invested in stock A, and 7/8 of your money is invested in stock B. [9]

End of Paper