



ZIMBABWE EZEKIEL GUTI UNIVERSITY
FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING
DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : **CAC406**

COURSE TITLE : **INVESTMENT ANALYSIS AND PORTFOLIO
MANAGEMENT**

SPECIAL REQUIREMENTS :

DURATION : **3 Hours**

LEVEL : **4.1**

DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **FOUR (4)** questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []
5. Show all workings, where applicable
6. You may use a silent non-programmable calculator

Question One

- a). Compare and contrast investment and speculation. [15 marks]
- b). Briefly explain any four factors that determine option values. [10 marks]

Question Two

- a). Portfolio management process has got some steps that should be followed by investors. Using practical examples explain the steps involved. [16 marks]
- b). Explain any three investments constraints that investors face. [9 marks]

Question Three

3. Given the following information;

Economy State	Probability	Return on Stock A (%)	Return on Stock B (%)	Return on Portfolio (%)
1	0.20	15	-5	5
2	0.20	-5	15	5
3	0.20	5	25	15
4	0.20	35	5	20
5	0.20	25	35	30

Required

- a). Calculate the Expected Returns on Stock A and Stock B and Portfolio. [3 marks]
- b). Calculate the Standard deviations for Stocks A, Stock B and the Portfolio. [3 marks]
- c). Define the term Efficient Market Hypothesis and explain the three forms of Efficient Market Hypothesis. [6 marks]

d). Briefly explain any six implications of Efficient Market Hypothesis. **[9 marks]**

e). List any four assumptions of Capital Asset Pricing Model (CAPM). **[4 marks]**

Question Four

4.a). Explain the factors that an individual investor takes into account in determining his/her investment policy? **[15 marks]**

b). Calculate the duration in years of a 4 year 8% bond with a par value of \$1 000 and a YTM of 10%? **[10 marks]**

THE END