



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CEN205
COURSE TITLE : INVESTMENT MANAGEMENT
DURATION : 3 Hours
DATE : 29 May 2019

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 []

Question 1

- a) Explain attributes that an investor should consider while evaluating an investment. (13 marks)
- b) Examine three ways in which a company may raise equity capital in the primary market. (12 marks)

Question 2

Using an example of your choice, describe the contents of an investment policy statement and justify its purpose in investment management? (25 marks)

Question 3

Consider the following scenario involving Triangle, a producer of sugar, and Gushungo holdings, a producer of ice cream:

	NORMAL YEAR FOR SUGAR		ABNORMAL YEAR
	Bullish	Bearish	Sugar
crisis			
	Stock Market		Stock Market
PROBABILITY	60%	25%	15%
	RATE OF RETURN		
Triangle	30%	15%	-20%
Gushungo holdings	30%	15%	25%

Calculate:

1. The expected return and standard deviation of Triangle. (5 marks)
2. The expected return and standard deviation for Gushungo Holdings.(5 marks)
3. Which security is a better by? Justify with computations. (5 Mark)
4. The covariance between the returns of Triangle and Gushungo Holdings.(5 mark)
5. Do the two securities offer good chances for portfolio diversification? Validate (5 marks)

Question 4

Using practical examples of your choice evaluate Porter's Competitive Forces in assessing the feasibility of a given investment? (25 marks)

Question 5

- a) Outline the strategic asset allocation process highlighting key decisions and activities at each step? (13 marks)
- b) Evaluate principal differences between passive management approach and active management in portfolio management? (12 marks)