



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION WITH
IT THIRD YEAR SEMESTER TWO

COURSE UNIT: ABA 320: INVESTMENT AND PORTFOLIO MANAGEMENT

MAIN CAMPUS

DURATION: 2 HOURS

APRIL, 2017

INSTRUCTIONS

Answer QUESTION ONE and any other TWO QUESTIONS

QUESTION ONE

- i) Investment and Portfolio Management is the professional 'Asset Management' of various securities, explain ten classification of market systems for similar securities; 10mks
- ii) Differentiate between transparent and liquid market; 5mks
- iii) Define Efficient Market Hypothesis, list and explain basic versions of market efficiency 6mks
- iv) List and describe three types of market efficiency 4mks

QUESTION TWO

- i. Portfolio management is the practice of making investment decisions in order to make the largest possible yields. Explain two basic forms of portfolio management 4mks

- ii. Managing a portfolio involves inherent risks, describe the below listed options used over time on investment industry sectors;
- a) Application portfolio management. 2mks
 - b) Product portfolio management. 2mks
 - c) Project or initiative portfolio management. 2mks
- iii. According to American humorist Will Rogers (1879 - 1935) on 'Investment Theories' he had remark "I'm more concerned about the return of my money than with the return on my money" comment; 2mk
- iv. Calculate the expected rate of return for a stock market series estimated to have a dividend of Ksh 50.00 and an ending value of Ksh 250. If the current value of the stock market series is Ksh 150 calculate the expected return for the stock market series. 3mks

QUESTION THREE

- i. Explain in details FOUR theories of Investments 8mks
- ii. Under Analysis and Valuation on Investments, financial information is sourced from diverse spectrum of books of original entries depending on the mode of operation of the firm under review. List and describe three basic phases of analysis levels; 6mks
- iii. List and briefly describe accounting reports as provided for in the final analysis of financial statements. 1mk

QUESTION FOUR

- i. List and explain five types of interest rate risk on bonds and debt instruments 5mks

- ii. List and explain types of assets an average investor is likely to invest in the stock market, and show how to invest in stock market 6mks
- iii. Calculate the EPS of a stock market series; Assuming the following estimates for a stock market series, sales per share = Ksh 1000, OM = 50%, depreciation of 200, interest of 250 and a corporate tax rate of 40%, calculate the forecasted EPS of the stock market series? 4mks

QUESTION FIVE

- i. Define the following terms under Common stock analysis and strategy
- a. The Passive Strategy 2mks
- b. Buy-and-Hold Strategy 2mks
- ii. Differentiate between systematic and unsystematic risk. 2mks
- iii. List and explain 3 factors affecting quality of stocks in the Nairobi Security Exchange Market 3mks
- iv. Bond XYZ matures in five years with a coupon rate of 7% and a maturity value of 1,000/=. the bond pays annually at the discount rate of 5%. The cash flow for each of the years is as follows:
- Year One = 70/=
- Year Two = 70/=
- Year Three = 70/=
- Year Four = 70/=
- Year Five = 1,070/=
- Required;
- a) calculate the value of the bond 3mks

b) How much does the bond value change with change of discount rate to 10%

3mks