



PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY- APRIL 2024

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CFN 304

COURSE TITLE: PORTFOLIO ANALYSIS

EXAM DATE:

QUESTION ONE (COMPULSORY)

10

MARKS

Discuss the investment triangle using relevant illustrations

(10 marks)

QUESTION TWO**10****MARKS**

The historical rates of return for two securities over the past ten years are given below.

Year	1	2	3	4	5	6	7	8	9	10
Security 1(return per cent)	12	8	7	14	16	15	18	20	16	22
Security 2(return per cent)	20	22	24	18	15	20	24	25	22	20

Of the two securities calculate:

- a. The covariance (5 marks)
- b. Correlation (5 marks)

QUESTION THREE**10****MARKS**

- a. Discuss the following convertible securities giving suitable examples:
 - i. Convertible bond (2 marks)
 - i. Convertible preferred stock (2 marks)
- b. Explain the following using suitable illustrations:
 - i. Investment value (2 marks)
 - ii. Investment premium (2 marks)
 - iii. Conversion Price (2 marks)

QUESTION FOUR**10****MARKS**

- a. Explain the Efficient Market Hypotheses. (2 Marks)

- b. Discuss the various forms of Efficient Market Hypotheses using suitable examples. (6 marks)
- c. Discuss tests involved in the Efficient Market Hypotheses. (2 marks)

QUESTION FIVE **10**

MARKS

- a. Discuss the following using examples under Arbitrage Pricing Theory:
- i. Joint estimation (5 Marks)
 - ii. Factor identification (5 marks)

QUESTION SIX **10**

MARKS

- a. Discuss **two** components used to value an option contract. Use relevant illustration on each component. (6 Marks)
- b. State **four** characteristics of warrants (4 Marks)