PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY – APRIL 2022

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CFN 304

COURSE TITLE: PORTFOLIO ANALYSIS

EXAM DATE:

QUESTION ONE (COMPULSORY) 10 MARKS

a) With suitable examples,discuss how the following investment objectives influence investment decisions:

i. Security (2 marks)

ii. Liquidity (2 marks)

iii. Yield (2 marks)

b) Discuss how the three objectives in (a) above relate to each other. (3 marks)

QUESTION TWO 10 MARKS

a) Explain TWO types of investment risks using suitable examples. (4 marks)

b) Discuss the THREE types of investors. Give suitable examples (6 marks)

QUESTION THREE 10 MARKS

a) Discuss Arbitrage Pricing Theory (APT) (2 marks)

b) Explain using example the TWO main differences between Capital Asset Pricing Models (CAPM) and Arbitrage Pricing Theory (APT) (8 marks)

QUESTION FOUR 10 MARKS

a) Define the efficient market frontier. (2 Marks)

b) Discuss how the efficient market frontier works. Use a suitable example. (3 marks)

c) Explain the significance of the efficient market frontier. Use suitable illustrations

(3 Marks)

d) Discuss the limitations of the efficient market frontier. (2 marks)

QUESTION FIVE 10 MARKS

a) Discuss the TWO components of the Capital Market Line (CML) (4 Marks)

b) Using suitable examples, explain THREE limitations of the Capital Market Line (CML) (6 Marks)

QUESTION SIX 10 MARKS

a) Discuss the following convertible securities giving suitable examples:

i. Convertible bond (2 marks)

ii. 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)