PAN AFRICAN CHRISTIAN UNIVERSITY (PAC)

EXAMINATION 2020/2021

DEGREE IN BACHELOR OF COMMERCE

CFN304: PORTFOLIO INVESTMENT AND ANALYSIS - ONLINE

DATE: AUGUST 2021 **TIME: 2 HOURS**

SECTION A: COMPULSORY

QUESTION ONE (10mks)

a) Discuss TWO main features of stock (2 Marks)

b) Distinguish between the following terms:
   i) Capital market line and security market line (4Marks)
   ii) Technical analysis and fundamental analysis (4Marks)

QUESTION TWO (10mks)

a. Explain Market Efficiency Hypothesis (2 Marks)

b. Discuss the differences between Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing Theory (APT) (8 Marks)

QUESTION THREE (10mks)

a) Explain any two drawbacks of Sharpe's measure on portfolio performance (4Marks)

b) Discuss the three forms of market efficiency (6Marks)

QUESTION FOUR (10mks)

a. Discuss THREE types of bonds (3 Marks)

b. Differentiate between fundamental analysis and technical analysis (2 Marks)

c. The callable bond has a par value of 100 LT, 8% coupon rate and five years to maturity. The bond makes annual interest payment. Investors purchased this bond for 90 LT when it was issued in May 2008. What is the yield-to-maturity of this bond?

(5 Marks)

QUESTION FIVE (10mks)

a. Discuss the difference between covariance and correlation coefficient (2 Marks)

b. Elaborate THREE types of derivatives available to investor (3 Marks)

a. The following Trading and Profit and Loss Account of Fantasy Ltd. for the year 31/03/2000 below. Calculate:
   i. Gross Profit (1 Mark)

ii. Expenses Ratio (1 Mark)
iii. Net Profit Ratio (1 Mark)
iv. Inventory Turnover Ratio (1 Mark)
v. Operating Ratio (1 Mark)

b.

Particular	Rs.	Particular	Rs.
To Opening Stock	76,250	By Sales	5,00,000
" Purchases	3,15,250	" Closing stock	98,500
" Carriage and Freight	2,000		
" Wages	5,000		
" Gross Profit b/d	2,00,000		
	5,98,500		5,98,500
To Administration expenses	1,01,000	By Gross Profit b/d	2,00,000
" Selling and Dist. expenses	12,000	" Non-operating incomes:	
" Non-operating expenses	2,000	" Interest on Securities	1,500
" Financial Expenses	7,000	" Dividend on shares	3,750
Net Profit c/d	84,000	" Profit on sale of shares	750
	2,06,000		2,06,000

QUESTION SIX (10mks)

a. Discuss the concept of mental accounting and investing (2 Marks)

b. Comment the differences between investment in financial and physical assets using following characteristics:
   i. Divisibility (1 Mark)
   ii. Liquidity (1 Mark)
   iii. Holding period (1 Mark)
   iv. Information ability (1 Mark)

c. Investment management processes can be disclosed by FIVE-step procedure. Discuss (4 Marks)