# JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

## UNIVERSITY EXAMINATIONS 2016/2017

### BACHELOR OF COMMERCE

**HBF 2303: INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT**

**DATE: APRIL, 2017**                                      **TIME: 2HOURS**

---

**INSTRUCTIONS: Answer Question one and any other two questions.**

---

## QUESTION ONE: Compulsory

a) Define an investment environment                                      (2marks)

b) Distinguish between open-end funds and closed-end funds                (4 marks)

*c)* Consider the financial analysts report below with assigned probabilities to next year's sales:

| Scenario | Probability | Sales ($ Millions) |
|----------|-------------|--------------------|
| 1 | **0.10** | $16 |
| 2 | 0.30 | $15 |
| 3 | 0.30 | $14 |
| 3 | 0.30 | $13 |

Calculate the expected value for next year's sales and the variance        (8 marks)

d) Describe modern portfolio theory                                      (3 marks)

e) Differentiate between systematic risks and specific risks             (2 marks)

f) When the price of books increased from $20 to $22, the quantity of books demanded decreased from 100 to 87. What is the price elasticity of demand for books? Is it demand elastic or inelastic?                                      (5 marks)

g) Julia invested $80,000 in OMO that produced 10% returns and $20,000 in Safaricom that produced 18% returns. The weights of the two investments are 60% and 40% respectively.   Calculate his return on portfolio                                        ( 6 marks)

## QUESTION TWO

a) Discuss six assumptions of Modern Portfolio Theory?                                        (12 marks)

b) Explain the stages in a financial management processs?                                        ( 8 marks)

## QUESTION 3

a) Describe five factors that are likely to cause a shift in the supply curve         ( 10 marks)

**b)** Briefly explain the contents of Macroeconomic analysis                                ( 10 marks)

## QUESTION 4

a) Explain the macroeconomic factors that have positive  influence on bond rate of interest

(10marks)

b) Compare and contrast active versus passive investment management                (10 marks)

**END**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2016/2017**

**BACHELOR OF COMMERCE**

**HBF 2303: INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT**

**DATE: APRIL, 2017**                                              **TIME: 1HOUR**

**INSTRUCTIONS: Answer All Questions**

1. Highlight four main short term investment vehicles?                    (4 marks)

2. Define investment risk                                        (2 marks)

3. Define price elasticity of demand and explain why its has negative coefficient  (4 marks)

4. Briefly explain the real life uses of Capital asset pricing model.          (6 marks)

5. Identify and explain  3 ratios  used in ratio analysis                ( 6marks)

6. Consider a $1,000 zero coupon bond that has two years until maturity. The bond is currently valued at $925. Calculate the bond's yield to maturity          (8 marks)

**end**