

BINDURA UNIVERSITY OF SCIENCE EDUCATION  
FACULTY OF SCIENCE ENGINEERING  
DEPARTMENT OF STATISTICS AND MATHEMATICS  
BS 419: Investment Analysis and Portfolio Management

NOV 2024

Time: 3 hours

Candidates may attempt ALL questions in Section A and at most two questions in Section B.  
Each question should start on a fresh page.

**Section A (40 marks)**

Candidates may attempt ALL questions being careful to number them A1 to A3.

- A1.** a). Determine the three components of an investor's required rate of return on an investment [10]  
b). Identify the two major factors that determine the market nominal risk-free rate [4]
- A2.** Explain how an individual's investment strategy may change as he or she goes through the accumulation, consolidation, spending, and gifting phases of life. [16]
- A3.** a). What information is necessary before a financial planner can assist a person in constructing an investment policy statement? [4]  
b) What alternatives to direct investment in foreign stocks are available to investors? [6]

**Section B (60 marks)**

Candidates may attempt two questions being careful to number them B4 to B6.

- B4.** a) Determine the assumptions of the capital asset pricing model and the arbitrage pricing theory. [10]  
b) Explain the similarities and differences between the CAPM and the APT. [10]  
c) Explain how superior investment performance can be attained using both theories. [10]
- B5.** a) Analyze the role of a portfolio manager in a perfectly efficient market. [10]  
b) Differentiate between fundamental analysis and technical analysis. [10]  
c) Explain any five stock picking strategies that may be used by an investor to pick stocks. [10]

**B6.** a) Blessed's equity section of the statement of financial position shows the following:

(\$000)	
Ordinary Shares (\$1)	20 000
Capital Reserve	10600
Retained Earnings	80 400
Shareholder's equity	120 000

The current share price of Blessed is \$100 per share. What will be the impact of effecting each of the following on the statement of financial position and Earnings per share (EPS)?

- i. 20 for 10 stock split [2]  
ii. 10 for 20 consolidation [2]  
iii. Share buyback of 20% of the outstanding shares. [2]
- b) "There is always a risk in equity investments." Discuss this statement from the point of view of an individual shareholder. [5]
- c) You have been recently appointed as an advisor to a small limited company based in Zimbabwe. What actions can a company take in order to avoid liquidation? [5]
- d) Explain the limitations in the application of the Modern Portfolio Theory in a developing economy. [14]

**THE END**