

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT BS419/BS240

3 HOURS (100 Marks)

INSTRUCTIONS TO CANDIDATES

1. Answer any four questions.
2. All questions carry equal marks.
3. Credit will be given for grammatically well-constructed answers.

APR 2025

1. a) Discuss the major differences between fundamental analysis and technical analysis in the context of investment decision-making. (10)

- b) Explain the concept of systematic risk and how it can be measured in a portfolio. (5)
- c) Evaluate the advantages and disadvantages of investing in mutual funds compared to individual stocks. (10)

[25 marks]

2. a) Define the Capital Asset Pricing Model (CAPM) and explain how it can be used to determine the expected return on an asset. (10)
- b) Given the following data, calculate the expected return of a portfolio consisting of 40% in Stock A and 60% in Stock B:

- Stock A: Expected return = 8%, Standard deviation = 10%
- Stock B: Expected return = 12%, Standard deviation = 14%
- Correlation coefficient between Stock A and Stock B = 0.5

(10)

- c) Discuss the significance of the correlation coefficient in portfolio diversification. (5)

[25 marks]

6. a) Describe the different types of real estate investment vehicles and their respective advantages and disadvantages. (10)

[25 marks]

- b) Given the following information, calculate the Sharpe ratio for a portfolio:
 a. Portfolio return = 15%
 b. Risk-free rate = 3%
 c. Standard deviation of the portfolio returns = 10% (10)
- c) Discuss the limitations of the Sharpe ratio as a measure of portfolio performance. (5)
5. a) Explain the importance of asset allocation in portfolio management. (10)

[25 marks]

- c) Explain the concept of bond duration and its importance in bond portfolio management. (5)
- b) A 10-year bond with a face value of \$1,000 pays an annual coupon of 8%. If the market interest rate is 6%, calculate the price of the bond. (10)
4. a) Discuss the factors that influence bond prices and yields. (10)

[25 marks]

- c) Explain the limitations of the Dividend Discount Model. (5)
- b) Calculate the intrinsic value of a stock using the Dividend Discount Model (DDM) given the following information:
 Expected dividend next year = \$2
 Dividend growth rate = 5%
 Required rate of return = 10% (10)
3. a) Describe the Efficient Market Hypothesis (EMH) and discuss its three forms: weak, semi-strong, and strong. (10)

END OF PAPER

[25 marks]

- b) A portfolio consists of three assets with the following expected returns and weights:
Asset 1: Expected return = 10%, Weight = 50%
Asset 2: Expected return = 12%, Weight = 30%
Asset 3: Expected return = 8%, Weight = 20%.
- Required: Calculate the expected return of the portfolio. (10)
- c) Explain the concept of beta in the context of portfolio management and how it can be used to assess risk. (5)