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(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBF 103

COURSE TITLE: INVESTMENT MANAGEMENT

DATE: 11TH FEBRUARY, 2021 TIME: 11.00AM – 1.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours



KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

SECTION A 30 marks

QUESTION ONE

- a) Define the term investment giving examples (5 marks)
- b) Enumerate and explain 5 types of investments (10marks)
- a) Explain the term fixed income securities citing examples (3MARKS)
- b) List and explain five types of BONDS as a Fixed income security (10 MARKS)
- c) Enumerate the advantages and disadvantages of fixed income securities(7 MARKS)

SECTION TWO

QUESTION TWO

- a) Explain the term Bond Valuation (2 Marks)
- b) Give four characteristics of a bond (8marks)
- c) Calculate the value of a corporate bond with annual interest rate of 5%, making semi-annual interest payments for 2 years, after which the bond matures and the principal must be repaid. Assume a maturity rate of 3%.

F = ksh1000 for corporate bond (10 Marks)

QUESTION THREE

Explain the following terms as used in investment management

- a) OptionsFutures contracts (4marks)
- b) Forward contracts (4 marks)
- c) Swaps (4marks)
- d) Rights (4marks)
- e) Warrants (4 marks)

QUESTION FOUR

Define the following terms

- a) Treyners sharp (2 Marks)
- b) Jensen measure(2Marks)

- c) Suppose that a 10-year annual return for S&P Company (market portfolio) is 10%, while the average annual return on Treasury bills (risk-free rate) is 5%. Assume you are evaluating three distinct portfolio managers with the following 10-year results:

Managers	Average Annual Return	Beta
Manager A	10%	0.90
Manager B	14%	1.03
Manager C	15%	1.20

Compute the Treynor value for each (16 Marks)