



RIARA SCHOOL OF BUSINESS
NURTURING INNOVATORS

JANUARY – APRIL 2023 SEMESTER EXAMINATIONS
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION (FINANCE)

RFN 304: SECURITIES ANALYSIS AND INVESTMENT MANAGEMENT
DAY PROGRAMME

DATE: 13th APRIL 2023

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

- 1 Write your REGISTRATION NO. Clearly on the answer booklet(s).
- 2 Answer Question One and ANY other TWO questions.
- 3 Questions in all sections should be answered in answer booklet(s).
- 4 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30minutes to the end of the Examination.

QUESTION ONE: COMPULSORY (30 MARKS)

- a) Describe the importance of **three** financial statements to a financial analyst. **(6 marks)**
- b) Explain **seven** behavioral biases that are common among investors **(14 marks)**
- c) Discuss **five** financial anomalies associated with the Efficient Market Hypothesis. **(10 marks)**

QUESTION TWO

- a) With reference to an Initial Public Offer (IPO) of shares, argue the case for an underwritten sale versus a “best efforts” sale. **(10 marks)**
- b) Explain **five** roles of a transaction advisor in an IPO. **(10 marks)**

QUESTION THREE

- a) Discuss **five** important macroeconomic variables and policies that investment analysts regularly look at in fundamental analysis of investments **(10 marks)**
- b) Explain **five** assumptions of the Capital Asset Pricing Model (CAPM). How realistic are those assumptions? **(10 Marks)**

QUESTION FOUR

Distinguish between the following pairs of terms:

- i. Operating leverage and financial leverage
- ii. Fundamental analysis and technical analysis
- iii. Behavioural biases and information processing errors
- iv. Callable and puttable bonds
- v. Operational and informational efficiency of markets **(20 marks)**