



Riara School of Business
Nurturing business innovators

JANUARY – APRIL 2024 TRIMESTER
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION

DAY/EVENING PROGRAMME

RFN 305: TECHNICAL ANALYSIS AND FINANCIAL MARKET FORECASTING

DATE: APRIL 2024

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) Technical analysis (charting) is a valid way to manage your investments. Argue for or against this statement. **(4 Marks)**
- b) The number of advancing stocks in the Nairobi Securities Exchange Market for the month of February 2024 was 15 million while the number of declining stocks for same period was 12 million stocks. Compute the advance/decline ratio (A/D) and interpret your results. **(4 Marks)**
- c) Describe **THREE** categories of chart patterns **(6 Marks)**
- d) Describe **FOUR** constraints of technical analysis. **(8 Marks)**
- e) Discuss **FOUR** psychological factors and show their effects on investors behavior. **(8 Marks)**

QUESTION TWO (20 MARKS)

- a) Explain the meaning of behavioral finance. **(2 Marks)**
- b) Using relevant examples, explain mental accounting and its effects on investors **(6 Marks)**
- c) Explain the Dow theory. **(4 Marks)**
- d) Discuss **FOUR** limitations of Dow Theory **(8 Marks)**

QUESTION THREE (20 MARKS)

- a) Differentiate between support level and resistance level trend lines **(4 Marks)**
- b) Distinguish between technical analysis and fundamental analysis **(4 Marks)**
- c) Discuss **THREE** merits and **THREE** demerits of Efficient Market Hypothesis (EMH) **(12 Marks)**

QUESTION FOUR (20 MARKS)

- a) Distinguish between a bearish market and bullish market. **(4 Marks)**
- b) Human emotions are part of the human psychology that affects investor decision making. Discuss **FOUR** common sets of emotions that have been observed to influence decision making and hence financial market outcomes **(8 Marks)**
- c) Explain **FOUR** key indicators that are used to track the direction of securities market **(8 Marks)**