## LAIKIPIA UNIVERSITY COLLEGE

BCOM 433: INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT

CONTINOUS ASSESSMENT TEST 1

Attempt all questions

1. Define investment. (2 mks)
2. Discuss the overall purpose people have for investing. (3 mks)
3. Discuss the steps involved in the investment process (10 mks).
4. Some financial theorists consider the variance of the distribution of expected rates of return to be a good measure of uncertainty. Discuss the reasoning behind this measure of risk and its purpose (4 mks)
5. Discuss the three components of an investor’s required rate of return on an investment based on the Capital Asset Pricing Model (CAPM) (6 mks).
6. A security has a Beta of 0.5. The return on the market portfolio is 15% and the risk free rate is 8%. Calculate the required rate of return on the security using CAPM (5 mks).