



**NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
JANUARY/FEBRUARY 2013 EXAMINATION**

COURSE CODE: BHM 745 CREDIT UNIT: 2
COURSE TITLE: SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

TIME ALLOWED: 2 HOURS

INSTRUCTIONS:

1. Attempt question number one (1) and any other two (2).
2. Question number 1 is compulsory and while the other 2 carries 30 marks
3. Present all your points in coherent and orderly manner

questions carry 20 marks each.

QUESTION 1

- A. Discuss the following with respect to Bonds:**
- (i) Junior Issues
 - (ii) Pledge of Specific Securities
- B. Differentiate between Convertible Bonds and Income Bonds**
- C. List and briefly highlight three (3) types of Investment risk,**

QUESTION 2

- A. Outline the interacting factors that determine the growth of earnings.**
- B. How are the following determined?**
- i. Rate of return on equity
 - ii. Return on operating assets
- Support your answer with relevant formula.**
- C. What are the two principal sources of Equity growth?**

QUESTION 3

- A. Discuss the two components of returns.**
- B. What do you understand by the concept of time value of money?**
Use relevant illustrations to support back-up your discussion.
- C. Describe the concept of compound interest.**

QUESTION 4

- A. Write short notes on the following:**
- I. Business Risk
 - II. Financial Risk
 - III. Interest Rate Risk
 - IV. Liquidity Risk
 - V. Market Risk
- B. Identify and explain the components of risk**

QUESTION 5

- A. Differentiate between the Book and Par value of common stocks.**
- B. Assuming a corporation has N20 million assets, owes N10 million in various forms of Short- and long-term debt, and has N2 million worth of preferred stock outstanding. Assume also, that firm has 100,000 shares of common stock outstanding.**
- i. What is the book value of the corporation?**
- ii. What is the Firm's Book value per share? GOOD LUCK**

130206101