



NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MARCH 2014 EXAMINATIONS

COURSE CODE: BHM 721 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 carries 30 marks, while the other questions carry equal marks each

3. Present all your points in coherent and orderly manner

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. Briefly highlight three (3) types of Investment risk,

QUESTION 2

A. Outline the interacting factors that determine the growth of earnings per share.

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. Financial Risk
- II. Interest Rate Risk
- III. Liquidity Risk
- IV. Market Risk

B. Explain diversifiable and non-diversifiable risks.

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