



FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	: INVESTMENT ANALYSIS
COURSE CODE	: FIN4243
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

- 1 This question paper consists of **FOUR (4)** questions.
- 2 Answer **ALL** questions.
- 3 Please check to make sure that this examination pack consists of:
 - i. The Question Paper
 - ii. An Answer Booklet
 - iii. Technical Chart Answer Sheet
- 4 Do not bring any material into the examination hall. The use of calculator is allowed.
- 5 Please write your answer using permanent ink.
- 6 Submit the (ii) Answer Booklet and (iii) Technical Chart Answer Sheet at the end of the exam.

MYKAD/ PASSPORT NO : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 7 printed pages including the front page.

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QUESTION 1

- A. a. Explain the followings:
- i. correlation
 - ii. positively correlated
 - iii. negatively correlated
 - iv. uncorrelated
- (8 marks)
- b. Explain **TWO (2)** benefits of international diversification offer to the individual investor?
- (2 marks)

- B. A year ago, the Fatima Equity Close-Ended Fund had an NAV of RM10.40 and was selling at an 18% discount. Today, its NAV is RM11.69, and it is priced at a 4% premium. During the year, Fatima Fund paid dividends of RM0.40 and had a capital gains distribution of RM0.95.

Required:

- a. Determine Fatima Fund's NAV-based holding period return for the year.
(3 marks)
- b. Assess Fatima Fund's market-based holding period return for the year.
(6 marks)
- c. Did the market premium/ discount hurt or add value to the investor's return?
(1 mark)

(Total: 20 marks)

QUESTION 2

- A. a. Explain the difference between traditional portfolio management and modern portfolio theory (MPT)? (4 marks)
- b. Assume the risk-free rate is 3% and the expected return of the market portfolio is 10%. Assume you are considering the following securities.

Investment	Beta
A	1.3
B	0.9
C	0.2
D	1.0
E	0.6

Required:

- i. Use the capital asset pricing model (CAPM) to find the required return for each of the securities. (3 marks)
- ii. On the basis of your findings in part i, assess the relationship that exist between risk and return. (2 marks)
- iii. Identify which investment is most risky and least risky. (1 mark)

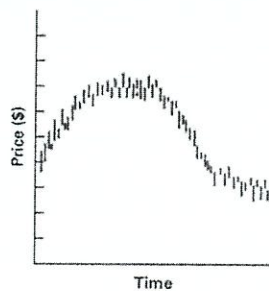
- c. You have three portfolios containing four assets each. The following table specifies the weights assigned to each asset in each of three portfolios, along with each asset's beta:

Asset	Asset Beta	Portfolio Weights		
		Portfolio A	Portfolio B	Portfolio C
A	1.5	30%	5%	35%
B	1.8	40%	15%	5%
C	0.30	20%	30%	40%
D	-0.40	10%	50%	20%
Total		100%	100%	100%

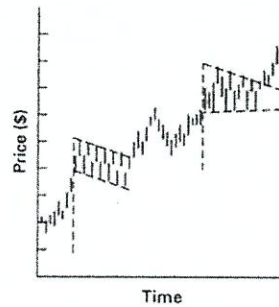
Required:

- i. Assess the beta for each portfolio (4 marks)
 - ii. Rank the portfolios from the highest risk to the lowest risk according to their betas. (1 mark)
- B. a. Describe any **TWO (2)** of market anomalies. (4 marks)
- b. Determine the following chart pattern and decide on the market trend.

i.



ii.



(4 marks)

- c. The following shows Tesla, Inc. stocks chart with 100-day moving averages. From Jun 2022 until November 2023, determine when to buy the stock (long) and when to sell the stock (short) by circling the crossover of the 100-day moving averages and candles in the **Technical Chart Answer Sheet**.



(2 marks)

(Total: 25 marks)

QUESTION 3

- a. Compare between the followings.
 - i. Par value versus market value
 - ii. Book value versus investment value

(4 marks)
- b. Describe the role of intrinsic value in the stock valuation process.

(3 marks)
- c. This year Laisla Bonita Inc. paid its stockholders an annual dividend of \$3.00 a share, but because of its high rate of growth in earnings, its dividend is expected to grow at the rate of 12% a year for the next five years and then to level out at 9% a year.

Required:

Find the intrinsic value of the stock?

(23 marks)

(Total: 30 marks)

QUESTION 4

- a. Describe bond ratings and how they can affect investor returns?
(4 marks)
- b. Below are details for convertible bond for Lari Laju Berhad:
Convertible bond: \$1,000 face value, 5% coupon, 10-year maturity, convertible into 10 shares; current price of the convertible is \$700, current stock price is \$45.

Required:

- i. Determine the followings:
- a. Bond's conversion price
(2 marks)
 - b. Conversion ratio
(2 marks)
 - c. Conversion value of this issue and its conversion parity
(2 marks)
 - d. Conversion premium, in dollar and as percentage
(2 marks)
 - e. Bond's payback period
(2 marks)
- ii. If comparably rated non-convertible bonds sell to yield 7%, what is the investment value of the convertible?
(11 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

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FIN4243: TECHNICAL CHART ANSWER SHEET

MYKAD/ PASSPORT NO : _____

ID. NO. : _____

Tesla, Inc., 1D, NASDAQ O244.48 H249.79 L237.81 C240.66 -8.36 (-3.36%)

