

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND ACTUARIAL SCIENCE

B.COMM (HONS) IN ACTUARIAL SCIENCE

APRIL/ MAY 2009 EXAMINATIONS

SUBJECT: INVESTMENT AND ASSET MANAGEMENT (CIN 4116)

TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- 1 Answer all 8 questions.
 - 2 Write clearly and begin each question on a new page.
 - 3 In addition to this paper a candidate should have a non-programmable scientific calculator.
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Q1 For a large institution in the pension sector in Zimbabwe, how would you carry out the investigation and analysis to advise them on their consideration to invest in the property market in overseas? [20 marks]

Q2 With the aid of a well labeled diagram, explain the Actuarial Control Cycle. [15 marks]

Q3 (a) A \$ 2m NCD issued at par with a coupon of 8% with 91 days to maturity is currently priced at \$ 1 005 000 with 61 days remaining. Calculate the (i) yield and (ii) the effective rate of interest on a CD yielding 9% with 61 days to maturity. [4 marks]

(b) Suppose an investor buys a 91-day CD (with a 10 % coupon) with 50 days to maturity at a yield of 10% and sells 30 days later at a yield of 10%, calculate the Holding Period Yield. [3 marks]

(c) Write few notes on each of the following money markets instruments:

- Negotiable Certificates of Deposits
- Treasury Bills
- Banker's Acceptance

- Commercial Paper
- Bills of Exchange. [8 marks]

(d) Outline the reasons why an investment manager would purchase these investments. [3 marks]

[Total 18 marks]

Q4 (a) Briefly describe the following asset allocation strategies:

- Integrated asset allocation
- Strategic asset allocation
- Tactical asset allocation
- Insured asset allocation. [8 marks]

(b) Explain the characteristics of growth and value stocks? [7 marks]

[Total 15 marks]

Q5 Discuss the problems which are associated with overseas investments. [10 marks]

Q6 (a) Explain the factors that affect the value of an option. [6 marks]

(b) Define the following terms:

- Forward contract
- Futures contract
- Warrants
- Swaps. [4 marks]

[Total 10 marks]

Q7 (a) Outline the differences between Unit Trusts and Investment Trusts. [3 marks]

(b) State two differences between unit trust and open-ended investment companies (OEICs). [1 marks]

[Total 4 marks]

Q8 (a) Outline the factors that affect taxation of investments. [5 marks]

(b) Explain the following corporate tax systems:

- Classical
- Split-rate
- Imputation. [3 marks]

[Total 8 marks]

!!END OF EXAMINATION!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!