ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BANKING AND FINANCE

SUBJECT: Principles of Investments Management **PAPER NO:** 524/15/S07

DURATION: 3 Hours

NOVEMBER/ DECEMBER 2025 EXAMINATION

REQUIREMENTS

Non programmable calculator.

INSTRUCTIONS TO CANDIDATE

Answer any five (5) questions only.

This paper consists of 3 printed pages.

QUESTION 1

a)

State	Probability	Return A	Return B
Excellent	0.2	30%	10%
Good	0.5	15%	20%
Bad	0.3	5%	30%

i) Calculate the expected return of each asset. (4 marks)

ii) Calculate the standard deviation of each asset. (6 marks)

b) Determine the value of $1000 deposited every year end for the next five (5) years with a bank that pays 20% per annum compounded annually. (6 marks)

c) Determine the present value of $5 000 to be received five (5) years from now with a required rate of return of 25%, if interest is continuously compounded. (4 marks)

QUESTION 2

a) Discuss the functions of financial intermediaries. (10 marks)

b) Compare and contrast forward contracts and futures contracts. (10 marks)

QUESTION 3

a) Write short notes on the following terms:

i) Capital market (3 marks)

ii) Market efficiency (3 marks)

iii) Currency risk (3 marks)

iv) Translation risk (3 marks)

v) Nostro accounts (3 marks)

b) Distinguish between forward rate and spot rate. (5 marks)

QUESTION 4

a) Morden portfolio theory assumes market efficiency. Explain how market efficiency is affected by fundamental and technical analysis. (10 marks)

b) The beta coefficient is the tendency of the returns of a stock to move with market returns. Analyse any three (3) factors that influence the beta coefficient.
(10 marks)

QUESTION 5

a) Define investment and explain any four (4) objectives of investment.
(10 marks)

b) Outline and explain any five (5) components of an investment policy.
(10 marks)

QUESTION 6

Identify and explain five (5) factors which affect share valuation. (20 marks)

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