



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_1 EXAMINATION

Course Code: BFN721

Credit Unit: 2

Course Title: INVESTMENT AND PORTFOLIO MANAGEMENT

Time Allowed: 2HOURS

Instructions:

- 1. Attempt Question 1 and any other Two (2) Questions, three questions in all.**
 - 2. Question 1 is compulsory and carries 30 marks while the other Questions carry 20 marks each.**
 - 3. Present all your points in a coherent and orderly manner.**
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1. Distinguish between Net Present Value (NPV) and Internal Rate of Return (IRR) and state the decision rule under both criteria. (10 Marks)

b. Two projects A and B have initial capital investment of N900,000 each. The cash inflows of the two projects are as follows:

Year	1	2	3	4	5	6
Project A (N)	400,000	500,000	100,000	125,000	105,000	150,000
Project B (N)	250,000	350,000	250,000	150,000	200,000	175,000

Required:

- i. As a financial analyst, calculate the net present value (NPV) of the two projects given a cost of capital of 12%. (15Marks)**
- ii. Based on the results obtained in (i), which of the projects should be chosen? (5 Mark)**

2.a. Markowitz's work marks the beginning of what is known today as modern portfolio theory, discuss the obvious limitations of Markowitz Model. (10Marks)

b. Central Bank of Nigeria (CBN) plays a prominent role in economic growth, development and policy implementation. Discuss the policy implementation role of the CBN.

(10Marks)

3a. Nigeria Deposit Insurance Corporation (NDIC) was established to prevent the incidence of bank failure in Nigeria, explain the rationale behind the establishment of deposit insurance scheme in Nigeria. **(10Marks)**

3b. Enumerate and explain any four means by which Securities & Exchange Commission protects the investing public. **(10Marks)**

4a. Money market instruments are used to meet the needs of commercial activities and not for permanent investment as the instruments traded are of short time duration, in the light of this state and discuss any 5(five) instruments traded in the Money Market. **(10Marks)**

b. Two main econometric methodologies have emerged to estimate and test asset pricing models. Discuss them succinctly. **(10Marks)**

5. Essentially, the level of national economic development and the extent to which most economic activities can effectively rely on the safety of the capital market are major indicators of a healthy balance between a sound financial system and macro-economic stability (NEEDS, 2003). In the light of these assumptions:

(i) Mention any five (5) functions and roles each of Nigeria Capital Market. **(10Marks)**

(ii) State five (5) ways through which capital market aids the Nigerian economy. **(10Marks)**