



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY – AUGUST 2023 SEMESTER**

### **BACHELOR OF COMMERCE**

**COURSE CODE: BCFI 401**

**COURSE TITLE: SECURITY ANALYSIS & SECURITIZATION**

UST

**DATE: 2 AUG 2023**

**TIME: 11.30AM - 2.30PM**

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#### **INSTRUCTIONS TO CANDIDATES**

- 1. SECTION A IS COMPULSORY.**
- 2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.**
- 3. DO NOT WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.**
- 4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.**

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

## **SECTION A: COMPULSORY**

### **Question One**

- |   |                   |
|---|-------------------|
| a) Explain security analysis and its key components.  | <b>[15 Marks]</b> |
| b) Explain the difference between fundamental analysis and technical analysis in security analysis. | <b>[15 Marks]</b> |
| c) Explain the main factors to consider when conducting a company analysis for security valuation.  | <b>[10 Marks]</b> |

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **Question Two**

- a) Rasasi Corporation issued Kshs. 10,000,000 12% having 5 years to maturity with a discount rate of 12%. Calculate the value of the bond payable if the cost of capital is:
- i) If the interest rate rises to 14% **[6 Marks]**
  - ii) If the interest rate falls to **[6 Marks]**
- b) Leasing is a source of finance. Explain four disadvantages of leasing. securities. **[8 Marks]**

### **Question three**

- a) Explain the benefits and risks associated with securitization. **[8 Marks]**
- b) Discuss the role of credit rating agencies in securitization transactions. **[12 Marks]**

### **Question Four**

- a) Discuss the challenges and potential conflicts of interest in the securitization industry. **[10 Marks]**
- b) Explain the concept of credit enhancement in securitization and provide examples of common credit enhancement techniques. **[10 Marks]**

### **Question five**

- a) Explain the concept of securitization and its role in financial Markets. **[12 Marks]**
- b) Analyze the risks associated with investing in securitized products. **[8 Marks]**