

PAPER 3.1 - SECURITIES ANALYSIS AND PORTFOLIO MANAGEMENT

QUESTION 1

Performance was generally poor. The question centered largely on technical terminologies which are problems to students generally.

QUESTION 2

The question on pensions was quite conceptual but technical aspects such as funds management and financial mathematics can be improved. Students' attempts were generally poor.

QUESTION 3

The question was technically efficient and surprisingly, students performed generally well.

QUESTION 4

It was a question in technical terminologies. Very few students attempted this question but few did well.

QUESTION 5

The question was technically efficient. The students performed very poorly.

QUESTION 6

About 90% of the students answered this question with about 50% of them passing it. The standard of the question was alright.

QUESTION 7

About 95% of the candidates attempted this question. While performance in part (c) was very good, the parts, (a) and (b) were poorly attempted.

PAPER 3.2 - FINANCIAL FUTURES AND OPTIONS

SECTION A

QUESTION 1

This is a compulsory question covering a wide range of topics. The performance of the candidates in this section was fair. Out of the 211 candidates that attempted this question 62 scored 50% and above. This represents 29% success rate which was an improvement in performance when compared with past experiences.

The inability of the candidates to score reasonable marks in this section could be traced to lack of access to materials that provide wide coverage on fundamental topics and concepts as well as lack of insight into futures and options terminologies.

SECTION B

QUESTION 2

This question on Black Scholes model was not well attempted by the candidates. Out of the 114 candidates that attempted the question, only 2 candidates scored above 50% of the mark.

Though most candidates displayed a good knowledge of the model, the major problem was their inability to apply the model to the appraisal of conventional investment projects.

QUESTION 3

The question covered a lot of topical issues. Out of the total number of 154 candidates that attempted the question, only 12 candidates recorded a pass mark. Most of the candidates could not articulate their points in an organized manner. Part questions (c) and (f) were strange to most of the candidates.

QUESTION 4

This was the least attempted question as only 21 candidates attempted the question. The performance was disappointingly low. Only 2 candidates scored above 50% of the marks allocated. The question was a test of the candidates' knowledge on the constructive and reckless arbitrage profit making on a synthetic portfolio of security.

QUESTION 5

It was a well attempted question and accounted for the high success rate of most of the candidates that scored above 50%. The performance in this question was highly encouraging.

QUESTION 6

This question was equally attempted by majority of the candidates and the overall performance was above average. While most candidates were able to calculate the present value of the dividend payment, the computation of the value of the forward contract posed a lot of difficulty.

QUESTION 7

This was the most attempted question. All the 211 candidates attempted the question which required the theoretical knowledge of forward and future contracts. The performance of candidate in this question was very high, accounting for nearly 70% of the success rate. The only problem with the candidates' performance in this question was their lack of knowledge of the term "primitive instruments".

PAPER 3.3 - MARKETING OF FINANCIAL SERVICES

GENERAL

All the questions including the case study were well worded, simple and direct. Candidates understood the question very well and scored well above average. The few who failed did not read wide enough to digest most of the topics on the syllabus. Candidates' performance was highly impressive as 94.7% of them passed above average while only 5.3% failed.

QUESTION 1

This question covers the necessary areas of marketing effectively and deals where necessary with the dictates of the financial institutions. The pass rate was very high as a result of deep understanding of marketing itself, which is then extended to the applied area of financial institution. The standard of the question is above average.

QUESTION 2

The question was a compulsory question and attempted by all the candidates. The performance was relatively above average as sizeable percentage of the candidates did well.

Some candidates did not understand the clear-cut demarcation between questions 2b and 2c. The examiner expected 2b to centre on mechanisms for boosting employee morale while 2c centres on strategic marketing devices for boosting company's profit.

The case is highly simplified and in line with recent happenings in the banking industry. This no doubt accounted for the level of candidate's performance. The question focuses on financial services as a course in marketing.

QUESTION 3

All the candidates attempted the question. It was a good and straightforward question. It was understood by the candidates and above 95% passed the question.

QUESTION 4

The question was good, simple and direct. Candidates performed well in part (a) and woefully in part (b). They are advised to read harder and wider to digest the entire syllabus.

QUESTION 5

The question was well attempted by the candidates, though few could not explain the issue expected, but still it was a brilliant performance as almost all the candidates got above average marks.

QUESTION 6

Majority of the candidates avoided the question. The few who attempted it performed brilliantly well.

QUESTION 7

Above 90% of the candidates did not understand the requirement of the question. They mistook "criteria for embarking on a business relationship with a foreign financial institution" for "method of entering an international market". Others gave reasons like registration with authorities, economic policy, culture, etc.

Part 7(b) was well answered by about 90% of the candidates who wrote this paper. The few candidates that did not attempt it well gave some other reasons like social-cultural, constraints and economic policies as barriers.

PAPER 3.4 - REGULATIONS AND PRACTICE OF STOCKBROKING

QUESTION 1

Majority of the candidates gave literary meanings to all the part questions (a) – (j). To this effect, their answers lacked the technicalities required thereby making them to deviate totally from expected answers.

For instance:

- 1(a) 95% of the candidates referred to dual trading as trading that occurred in two stock exchanges.
- 1(b) Most of the candidates answered liquidity risk as investment risk.
- 1(c) They did not understand the question at all, therefore it was poorly answered.
- 1(d)-1(j) Performance was generally poor.

Above all, examiners were of the view that enormous problems and failure recorded by the students were as a result of lack of adequate preparation and shortcomings in the areas of in-depth knowledge of the course.

All the candidates attempted the question being a compulsory one but the pass rate was less than 10%.

QUESTION 2

Candidates lacked adequate methodology and simple arithmetic calculation, thereby resulted in sharp answers from the expected. Majority could not calculate Net asset value.

Importantly, they did not know the SEC rules on mandate to purchase shares and Sec Rule 178 (b) and margin account facilities Rule 181. Majority of the candidates could not do adequate comparison on average daily sale mandate of N250 and how to protect and operate within the rules.

The performance was very poor, hence the failure rate was high in this question. Examiners were of the views that candidates should prepare very well before the examination.

QUESTION 4

4(a) It was observed that majority of the candidates could not distinguish between the charges levied in the primary market from that of the secondary market. Some candidates mixed up or even juxtaposed the levies which was an indication of lack of understanding of the question. Candidates generally limited their answers to equities and ignored fixed income securities e.g. bonds.

4(b) The candidates fared better in this question as against the (a) part, but it was observed that most of the candidates merely articulated their considered points without explaining them and relevant market examples were not given which would have confirmed their understanding of the function. This general trend was largely responsible for the candidate not scoring the maximum points for each answer provided.

4c. The candidates' performance in this question was fair except that some of them did not know that it was the reverse of the (b) question. Candidates needed to broaden

their horizon in terms of answers to questions by relating their suggested solutions to the macro economic indicators particularly in the Nigerian economy.

QUESTION 5

Almost all the candidates that attempted this question demonstrated appreciable knowledge of the requirements of the question with more than 70% of them scoring up to 70% of the marks allotted to it. The remaining 30% could not really differentiate among the three concepts or approaches to share pricing - Fundamental analysis, Technical analysis and Random walk hypothesis- the subject of the question.

QUESTION 6

The question required the explanation of the major factors to be considered when constructing a stock market index. Most students who answered this question could not mention the factors namely sample size, weight given to each number and computational methods. Most of the candidates wrote on the features of an index and how an index is computed.

It possibly shows that the candidates did not understand the questions or have clear idea about what the questions were all about.

Very few candidates attempted this question. The performance was poor.