The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS DECEMBER-2019

EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN FINANCE (YR IV SEM II)

UNIT CODE: CMFI 2401

UNIT TITLE: INVESTMENT ETHICS AND STANDARDS

DATE: 9th DECEMBER 2019 **TIME: 9:00 AM – 11:00 AM**

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) In reference investment standards and ethics;

(i) Distinguish between information based manipulation and transaction based manipulation in duties to clients on loyalty, prudence and care. (6 Marks)

(ii) Describe the responsibility of supervisors in reference to duties to employees. (6 Marks)

(iii) Explain the concept of priority of transactions in reference to conflicts of interests. (6 Marks)

(b) Describe the professional requirements for members and candidates in the investment practice. (6 Marks)

(c) In reference to the intergrity of capital markets, distinguish between material information for the financial analysis. (6 Marks)

QUESTION TWO

(a) Discuss TWO forms of plagiarism finance and investment analysts are likely to encounter in practice. (6 Marks)

(b) In reference to investment standards;

(i) Describe FOUR standards required in professionalism as an ethical code for investment analysts. (8 Marks)

(ii) Explain the concept of integrity of capital markets in reference to investment analysis terminologies. (6 Marks)

QUESTION THREE

(a) Study the following;

(i) An Investment Analyst finds a stock that has had a low return but its total risk has been compensate with its retention when writing a research report about the stock for clients with well-diversified portfolios, according to standard V (B) communication with clients and prospective clients;

Required;

Advise what the financial analysts need to mention. (12 marks)

(ii) An independent financial analyst to tap into the firm's computer network to the firm's research facilities.

Required;

Advice if this is allowable according to the investment standards. (8 Marks)

QUESTION FOUR

(a) While trading on behalf of a pension Account; a financial analyst received special research report from the brokerage firm with whom she is doing the trades;

Required;

Comment on the above based on the relevant investment standards. (12 Marks)

(b) Discuss TWO forms of conflict of interest that may be encountered by financial analysts in practice. (8 Marks)

QUESTION FIVE

(a) Describe the underlying principles upon which the global investment performance standards (GIPS) are based upon; (8 Marks)

(b) Distinguish the following in professional practice;

(i) Ethics and standards. (6 Marks)

(ii) Compliance and assurance procedures. (6 Marks)