



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

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AUGUST – DECEMBER 2015 TRIMESTER

FACULTY OF COMMERCE

MBA REGULAR PROGRAMME

CFI 613: EMERGING FINANCIAL MARKETS

Date: DECEMBER 2015

Duration: 3 Hours

INSTRUCTIONS: Answer ALL Questions

Q1. a) It is often argued that there are few emerging markets in Africa.

Required:

Present arguments in support of the role of governments in the development of emerging markets in Africa. **(12 marks)**

b) The passive investment approach is often used in the emerging markets.

Required:

Criticize the passive investments approach and explain the various passive indexing methods. **(13 marks)**

Q2. a) Evaluate the weakness of applying the world CAPM in the context of developing markets. **(12 marks)**

b) Often Western institutional investors do not trust the financial institutions in the developing world. Emerging markets may reassure foreign investors by adopting institutional outsourcing policies.

Required:

Examine the issue of depository receipts as a institutional outsourcing policy aimed at improving investor confidence in the emerging markets. **(13 marks)**

- Q3. a) Criticize the explanations for home bias in the portfolio allocation decisions of Western investors. **(13 marks)**
- b) Read the “Telkom South Africa” case and answer the following questions. Go to Appendix 1 for the “Telkom South Africa” case.
- i Examine the factors that were considered in the valuation of Telkom South Africa. **(6 marks)**
- ii Supposing that a price earnings ratio of 35 is used in the valuation of Telkom South Africa what would be the value of a share of the company. **(6 marks)**
- Q4. a) Construct a view of the risk and return trade-off for the emerging markets. **(13 marks)**
- b) Provide an explanation of the factors that have contributed to the economic crisis in the emerging world. **(12 marks)**

END