

CHARTERED INSTITUTE OF STOCKBROKERS
MARCH 2009 DIET
EXAMINERS' REPORT
PAPER 3.1 (SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT)

SECTION A:

1.

The pass rate in this section was generally very high with over 30% scoring more than 50% of the allotted mark. Question 1 itself was 30% of the course.

SECTION B:

2.

The standard of the question was adequate and also about 95% of the students attempted the question. The students' performance was very satisfactory.

SECTION C:

3.

Majority of the students did not attempt this question. The general performance of those that answered the question was poor. The question was standard and professional.

4.

The question reflected standard and professional approach to clientele advisory services. Most students did not understand the difference between information

objectives and evaluation of investment/investor analysis. The highest mark was 10 and the average score was around 4.

5.

The question tests the candidates' knowledge of the Pension Act 2004. It was well answered by the majority of the candidates except about 1% of the students who lacked understanding of the question.

6.

The question tested another format of Portfolio Management objectives and analysis based on practical application of knowledge and joined with direct questions on definitions.

About 90% of candidates did not understand the Portfolio Management questions. The performance was only enhanced by the direct definitions of Preference Share.

The performance in this question was generally the poorest.

7.

Almost all the candidates attempted this question. The performance in this question was very good. It was well answered.

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EXAMINERS' REPORT
PAPER 3.2 (FINANCIAL FUTURES AND OPTIONS)

SECTION A:

1.

The questions in this section being compulsory "15 questions" were attempted by all the candidates. In view of the straightforwardness of the questions and the basic test of candidates' knowledge of the Syllabus, the performance was quite impressive. In fact, this particular section accounted for average and reasonable performance of the candidates as they served as more boosting "multiple choice questions".

However, the performance of some candidates in this particular section was disappointingly low as more than 30% of the candidates scored below 15 marks (50%) out of the 30 marks allocated. One cannot but observe the general lack of preparation for this examination by most of the candidates.

SECTION B:

2.

This question was well attempted with over 96% attendant rate. Most students showed a good understanding of the principles involved, hence the pass rate was also very high.

The few that failed the question were either not prepared for the examination or have the requisite textbooks, since the topic is the basic principle in option pricing.

SECTION C:

3.

The question was attempted by majority (81.55%) of the candidates. However, only 10 (5.95%) of the 168 candidates that attempted the question scored half and above the total marks allocated. Precisely, the highest score was 11 marks.

The candidates were unable to demonstrate their understanding of gearing as used in the derivatives market which was the main subject of the question.

It is recommended that candidates should endeavour to have an in-depth understanding of basic concepts in the derivatives market rather than the surface meanings as demonstrated by most of the candidates.

4.

The question is a quantitative question and was well attempted by the candidates. A total number of 163 candidates attempted the question which represents 79.1% of the total number of candidates that sat for the exam.

Even though they were not quite accurate in their working, their enthusiasm indicates that they are familiar with questions of such nature. They therefore demonstrated reasonable knowledge especially in the (a) part of the question.

5.

Only 42% of the candidates attempted this question and the performance was rather poor.

While some candidates gave a good account of their knowledge of the fundamental principles of binomial value trees and hedge ratio interpretation, majority of them could not construct a simple arbitrage portfolio in spite of its regular feature in the previous examinations.

It is important that candidates gain in depth rather than a superficial understanding of the concepts of financial derivatives.

6.

This question required candidates to display their knowledge on portfolio hedging with particular reference to the index futures as well as evaluating the payoffs from a particular hedging strategy.

Only 50% of the candidates attempted this question. While the performance of a few candidates in this question was well above average, the major pitfall was the inability of majority of the candidates to calculate the profit or loss from the hedging strategy.

Candidates are implored to make adequate preparation for the examinations and be methodical in their approach to quantitative questions.

7.

This is a theoretical question. The number of candidates that attempted the question indicates beyond any skepticism that they are running from theoretical questions. In precision, only 103 candidates attempted the question which represents 50% of the entire candidates that sat for the exam.

Only few of the candidates show a fair understanding of the opinion of the examiner as to how the question should be answered.

RECOMMENDATION

- It was recommended that the candidates should show themselves eligible by reading extensively.

- It was recommended that candidates should practice more quantitative questions to make questions of such nature easy for them to answer.

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PAPER 3.3 (MARKETING OF FINANCIAL SERVICES)

GENERAL COMMENT

The performance of candidates for this diet was wonderfully impressive. Out of the 196 candidates who sat for the examination, as many as 161 or 82% satisfied the examiners. Only 35 or 18% failed to satisfy the examiners. This no doubt could be attributed to the conference setting/moderation of question adopted early in the year by the Institute. It is hoped that this performance standard would be maintained/sustained and /or even surpassed in the subsequent examinations. We congratulate the successful candidates and fully appreciate the Institute for adopting the change in the method of question setting/moderation.

SECTION A:

1.

The questions in this section were straightforward, simple well constructed and covered the syllabus. The candidates performed well, as majority of them scored above 20 out of 30 marks allotted. The understanding of the question was well above average.

SECTION B:

2.

The question was tasking and demanding. It tested marketing knowledge possessed by the candidates. About 65% performed well above average in this question.

Candidates' major problem was that some of them did not read this part of the syllabus. They did not really understand what was required of them; because they derailed in their answering of the question as some misunderstood the answer for the marketing mix elements.

SECTION C:

3.

Almost all the candidates attempted this question with about 90% of them scoring about 80% of the available mark here (i.e. 11 out of 15 marks allotted).

4.

The questions here are very simple and direct. Most of the candidates attempted the question with majority of them recording an average performance. Candidates' responses in most cases are at variance with the marking guide/solutions to the questions; however they were accommodated to satisfy the examiners.

5.

The candidates' performed well above average. They understood both the part (a) and (b) of the question very well.

6.

This was the worst attempted question. Infact less than ten (10) candidates risked attempting the question; even then, their performance was absolutely woeful.

7.

The question was simple, direct and grammatically well worded. Candidates understood the questions and about 90% of those who attempted it scored over the average mark.

Candidates are advised to always try to cover the syllabus.

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EXAMINERS' REPORT

PAPER 3.4 (REGULATIONS AND PRACTICE OF STOCKBROKING)

GENERAL COMMENTS:

A total of 194 candidates sat for Paper 3.4. The Paper was a standard one and covers the entire Syllabus including the ethics of the profession from all angles (CIS, SEC, and NSE).

As usual most of the candidates were not fully prepared but the performance was fair.

SECTION A:

1.

Candidates' performance in this question was average. Most of the questions required experience, hence I advice students' attachment to stockbroking firms in order to gain practical experience. They should also be encouraged to attend tutorials.

SECTION B:

2.

Most of the students could not decipher that the nominal value of securities quoted on the NSE is 50 kobo, hence almost all of them used the Naira share capital instead of multiplying some by 2 to get the number of ordinary shares in

the computation of the EPS, hence, the required P/E ratios which in the instant case represent the payback period.

Moreover, many of the students were haphazard in the presentation of their work thereby subjecting the examiner to the arduous task of picking out the various answers scattered about, an effort that would have been saved by simple organization. Besides, not many students were aware that the proper channel of communication between the Exchange and a quoted company is through the Company Secretary.

SECTION C:

3.

It was observed that most of the students did not understand the question perfectly. Some of them deviated entirely and wrote on what they felt could be rules and regulations of SEC, NSE and CIS. Apart from general knowledge that the stockbroking firms must have qualified stockbrokers to deal on the floor whether automated or not, they are not familiar with SEC Rules on registration of firms and accredited stockbrokers. The same is applicable to the proper role of CIS. The general comment on sanctions was totally omitted and if mentioned at all, not at the appropriate answer to the question.

4.

The question was very clear but most students did not attempt the question. The question had to do with the regulatory requirements for a dealing clerk to trade on the floor including through remote trading platform.

Most of the students did not know the registration requirement and the CIS condition for a clerk to deal for a firm.

5.

Almost all the candidates attempted this question as it relates to the current situation in the market (Margin Account and risks associated with the account).

The attempt was good but the performance was not too good, because most of the candidates could not elaborate properly on their knowledge of the subject matter.

6.

The question revealed the current situation in the economy, which vividly illustrates the economic trends and global depressions.

All candidates attempted the question. The overall performance was quite impressive with less than 10% of the candidates scoring below 7 marks out of 15, while majority scored 7 marks and above. Only a few scored above 10 marks.

Above all, the pass rate of the overall performance was high.