

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY  
FACULTY OF COMMERCE  
DEPARTMENT OF BANKING**

**TREASURY MANAGEMENT I  
[CBA 2108]**

**SUPPLEMENTARY EXAMINATION**

**AUGUST 2011**

**TIME: 3 HOURS**

**INSTRUCTIONS TO CANDIDATES**

- Answer any **FOUR (4)** questions
- Start the answer to each question on a fresh page of the answer sheet.
- Indicate on your answer booklet whether you are in the conventional or parallel programme
- Show all workings
- Questions may be written in any order, but must be legibly numbered.

**INFORMATION FOR CANDIDATES**

**The paper contains SIX (6) questions.**

**All questions carry equal marks [25 marks].**

**The businesses in this question paper are intended to be fictitious.**

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**This paper consists of 5 printed pages**

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**[Turn over]**

### **QUESTION ONE**

a) State and explain the major differences between the money market and capital market. **[ 6 Marks ]**

b) Most commercial banks have clear and distinct departments within the treasury department. What are these departments and what duties do they perform? **[ 9 Marks ]**

c) Evaluate the aspect of a centralized treasury function in a banking institution. **[ 10Marks ]**

**TOTAL [25 MARKS]**

### **QUESTION TWO**

a) Briefly explain the importance of an effective internal control system within a financial institution. **[ 6 Marks ]**

b) What policies are necessary for a financial institution to have an effective internal control system? **[ 10 Marks ]**

c) With the aid of examples distinguish between treasury management and fund management. **[ 9 Marks]**

**TOTAL [25 MARKS]**

### **QUESTION THREE**

- a) A treasury bill has a face value of \$ 100 000 and 150 days to maturity with a bank discount yield of 4.8% .Assuming a 360 days year, what is the selling price of the Treasury bill? **[ 4 Marks ]**
- b) Outline five benefits of the derivative market. **[ 5 Marks ]**
- c) Explain the following terms in relation to option positions:
- i. Long Call **[ 2 Marks]**
  - ii. Short Call **[ 2 Marks]**
  - iii. Long Put **[ 2 Marks]**
  - iv. Short Put **[ 2 Marks]**
- d) Describe the role of the clearing house in futures trading and analyze its effectiveness in eliminating credit risk. **[ 8 Marks]**

**TOTAL**

**[25 MARKS]**

### **QUESTION FOUR**

- a) Explain the theoretical basis of the following:
- i. Upward Sloping Yield Curve **[ 4 Marks ]**
  - ii. Inverted Yield Curve **[ 4 Marks ]**
  - iii. Humped Yield Curve **[ 4 Marks ]**



## **QUESTION SIX**

(a) Explain the merits and demerits of investing on the stock exchange. **[10 Marks]**

(b) What factors should be considered before one invests on the stock exchange?

**[5 Marks]**

(c) Distinguish between a public and a private placement.

**[4 Marks]**

d) Critically analyze the need for over the counter (OTC) markets in Zimbabwe.

**[6 Marks]**

**TOTAL**

**[25 MARKS]**