NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BANKING

BANKING AND FINANCIAL MARKETS (CBA 2110)

FIRST SEMESTER EXAMINATION   DECEMBER 2014

This examination paper consists of 4 printed pages

Time Allowed: 3 hours

Total Marks: 100

INSTRUCTIONS TO CANDIDATES

1. Answer **Question 1** and any **three (3)** questions.
2. Start the answer to each question on a fresh page of the answer sheet.
3. Questions may be written in any order but must be legibly numbered.
4. You may use a calculator.
5. All calculations are to be presented in good style and workings should be shown.

INFORMATION FOR CANDIDATES

1. The paper contains four (4) pages.
2. All questions carry equal marks [25 marks].

Section A

Answer this question

QUESTION 1

a) Enumerate 4 features of a plain vanilla bond **[4 marks]**

b) What do you understand by bond stripping? **[4 marks]**

c) Suppose you are given the following information pertaining to a bond:

Future Value (FV) ZAR1 000 000; interest rate (i) 12%; horizon (t) 3 years, number of compounding periods (cp) 2;

Compute the Present Value of the bond. **[4 marks]**

d) Suppose you are given the following information: Coupon rate (cr) 12%, Market Price (mp) 0.954994; Redemption price (rp) 1 and time (t) 8 years. Compute:

(i) The Current yield (cy) **[3 marks]**

(ii) The yield to maturity (ytm) **[3 marks]**

e) What is the significance of an active secondary bond market? **[7 marks]**

TOTAL **[25 MARKS]**

Section B

Answer any **three (3)** questions from this section

QUESTION 2

a) Why is the South African banking system considered as one of the sophisticated banking systems in the world? **[12 marks]**

b) What is Islamic banking? How does it differ from western banking? **[13 marks]**

TOTAL **[25 MARKS]**

QUESTION 3

a) Define microfinance. **[2 marks]**

b) Draw and label a graphical representation of the status of the microfinance sector in Zimbabwe. **[7 marks]**

c) Evaluate the Grameen banking model of financial inclusion. **[16 marks]**

TOTAL **[25 MARKS]**

QUESTION 4

a) Analyze **four** techniques of measuring bank performance. **[13 marks]**

b) Define bank failure. **[2 marks]**

c) Providing country-specific examples, discuss how a central bank can deal with failed banks. **[10 marks]**

TOTAL **[25 MARKS]**

QUESTION 5

a) Explain the functions of the following departments which can be found in a central bank:

(i) Bank Licensing, Supervision and Surveillance **[4 marks]**

(ii) National Payments System **[4 marks]**

(iii) Economic Research **[4 marks]**

b) Differentiate between a central bank and commercial bank. **[13 marks]**

TOTAL **[25 MARKS]**

QUESTION 6

a) Define the term money market **[2 marks]**

b) Describe the features of the following money market instruments:

    (i) Treasury Bills **[4 marks]**

    (ii) Reserve Bank Debentures **[4 marks]**

    (iii) Banker's Acceptance **[4 marks]**

c) Suppose you are given the following information:

Nominal Vaue of Treasury Bills (NV)   R1 million

Discount Rate (i)   9.25%

Tenor (t)   91 days

Compute:

    (i) The Consideration **[4 marks]**

    (ii) The Discount **[4 marks]**

    (iii) The Price **[3 marks]**

TOTAL **[25 MARKS]**