

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**B. COMM INSURANCE AND RISK MANAGEMENT**

**INTRODUCTION TO FINANCIAL MARKETS AND INSTITUTIONS –  
CIN 2210**

**2<sup>ND</sup> SEMESTER EXAMINATIONS – APRIL/MAY 2003**

**DURATION : 3 HOURS**

**INSTRUCTIONS TO CANDIDATES**

1. Answer Four (4) questions only
  2. Candidates may use a non-programmable calculator.
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**Question One**

Discuss problems that Governments in developing economies may encounter in attempting to raise capital for the development of targeted domestic sectors experiencing financial distress. **[25 marks]**

**Question Two**

Explain how a manufacturing firm that imports raw materials can hedge against the exchange rate risks. **[25 marks]**

**Question Three**

- (a) Illustrate how the flow of capital into a particular country is influenced by its credit rating. **[12½ marks]**
- (b) Discuss the differences between stocks and bonds. **[12½ marks]**

**Question 4**

Discuss the functions of the Central Bank as a financial intermediary. **[25 marks]**

**Question Five**

- (a) Illustrate how a bank in exercising its role as an intermediary can use interest rate swaps to manage interest rate risks **[15 marks]**

- (b) Explain the interplay between the concepts of risks, returns and liabilities as experienced by pension funds. **[10 marks]**

**Question Six**

Describe the nature and uses of options. **[25 marks]**

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**END OF EXAMINATION PAPER**