

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND ACTUARIAL SCIENCE

BACHELOR OF COMMERCE - HONORS DEGREE

INTRODUCTION TO FINANCIAL MARKETS AND INSTITUTIONS – CIN 2210

SUPPLEMENTARY EXAMINATION: AUGUST 2011

EXAMINATION DURATION: 3 HOURS

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INSTRUCTIONS TO CANDIDATES

- Answer any FIVE of the seven questions.

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INFORMATION FOR CANDIDATES

- Each question carries 20 marks.

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QUESTION 1. (20 MARKS)

- (a) Discuss the major activities that justify the existence of banks. (14 marks)
- (b) The functions of the Zimbabwe Stock Exchange permit the capital market to fulfill its role in the economy. Briefly explain these three functions. (6 marks)

QUESTION 2. (20 MARKS)

- (a) Explain what a bankers' acceptance is. (6 marks)
- (b) Discuss the obligations of the parties to a bankers' acceptance. (6 marks)
- (c) What information is contained in the negotiable certificate of deposit and how is this certificate transferred? (8 marks)

QUESTION 3. (20 MARKS)

- (a) Explain what a foreign exchange rate is and what variables determine this rate. (5 marks)
- (b) Discuss the economic factors that are of decisive importance in determining exchange rates in the long term, and the non-economic factors that may have a short-term influence. (15 marks)

QUESTION 4. (20 MARKS)

- (a) In a world of volatile asset prices, futures contracts fulfill two purposes. Discuss. (8 marks)
- (b) Participants in the futures markets may be divided into four main groups. Discuss the activities of each of these groups. (12 marks)

QUESTION 5. (20 MARKS)

- (a) Discuss the functions of financial intermediaries. (10 marks)
- (b) An active secondary market in securities is important for a number of reasons. Discuss. (10 marks)

QUESTION 6. (20 MARKS)

Discuss the main functions of the Reserve Bank of Zimbabwe. (20 marks)

QUESTION 7. (20 MARKS)

- (a) Explain what a balance of payments is. (6 marks)
- (b) Discuss the items listed in the current account of the balance of payments of a country of your choice. (14 marks)

===== END OF QUESTIONS =====