

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY  
FACULTY OF COMMERCE  
DEPARTMENT OF INSURANCE AND ACTUARIAL SCIENCE  
INTRODUCTION TO FINANCIAL MARKETS AND INSTITUTIONS  
[CIN 2210]

FINAL EXAMINATION

MAY 2012

TIME : 3 HOURS

**INSTRUCTIONS TO CANDIDATES**

- There are six questions and you are required to answer any four in any order.

**Question one [25 MARKS]**

Explain, briefly, what you understand by the following terms as used in the financial markets:

- |                                |           |
|--------------------------------|-----------|
| (i) Market risk                | (5 marks) |
| (ii) Policy induced risk       | (5 marks) |
| (iii) Cost of risk             | (5 marks) |
| (iv) Default risk              | (5 marks) |
| (v) Insurance cost uncertainty | (5 marks) |

**Question two [25 MARKS]**

Identify and discuss four key methods of handling risk in the financial markets (25 marks).

**Question three**

**[25 MARKS]**

- (i) Explain why government intervention may be necessary in a competitive insurance market. (5 marks)
- (ii) Identify and explain the four broad categories of insurance market failures. (20 marks)

**Question four**

**[25 MARKS]**

To what extent does the role of the central bank affect the way institutional investors operate in the Zimbabwe financial markets? (25 marks)

**Question five**

**[25 MARKS]**

- (i) Compare and contrast the main functions of commercial banks with those of the investment banks. (15 marks)
- (ii) To what extent and ways are the money markets different from the capital markets? (10 marks)

**Question six**

**[25 MARKS]**

Identify and discuss six key factors that you would take into account when valuing a financial security bond. (25 marks)

**End of examination questions!**