

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

SUPPLEMENTARY EXAMINATION

AUGUST 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) Gearing. | (5marks) |
| (ii) Merry-go round debt problem. | (5marks) |
| (iii) Risk financing. | (5marks) |
| (iv) Market risk. | (5marks) |
| (v) Capital markets. | (5marks) |

Question two [25 marks]

Explain how the central bank affects the way financial markets operate in Zimbabwe.
(25marks)

Question three**[25 marks]**

Explain what you understand by committed and uncommitted facilities in the context of bank lending. (25marks)

Question four**[25 marks]**

Identify and discuss five key risk factors that you may take into account when valuing an asset backed bond. (25 marks)

Question five**[25 marks]**

Explain the significance of the following risks to the companies that compete in an international market:

- (i) Transaction risk. (8 marks)
- (ii) Translation risk. (8 marks)
- (iii) Economic risk. +(9 marks)

Question six**[25 marks]**

Identify and explain five key ways in which the financial institutions help facilitate international trade. (25 marks)

End of examination questions!