NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE
PART II – 1ST SEMESTER FINAL EXAMINATION – APRIL 2009
FINANCIAL MARKETS [CFI 2103]
TIME ALLOTTED: 3 HOURS 10 MINUTES

INSTRUCTIONS

1. Attempt any 4 questions.
2. Show all workings
3. All questions carry equal marks   (25 marks)
4. Write Legibly

Question 1

Define financial markets. How do they differ with the financial system? **(10)**

What are their functions?   **(15)**

Question 2

a) What are bankers acceptances (B.As)? Who are the parties to bankers acceptances?

(**10**)

(b) Calculate the discount of a Bill which is issued with a redemption value of $1 million

and is to mature in 90 days from the date of sale. The bill is sold at the rate of 28%.

([**15**)

Question 3

a) What is meant by margin trading**?**   **(12 ½)**

b) Compute the maintenance margin of 30% from the following data:

Stock = $25 000;   Debt = $10 000;   Equity = $15 000   **(12 ½)**

Question 4

What do you think explains the popularity of the limited liability company as the legal

form of so many firms in Zimbabwe?   **[25]**

Question 5

    a) Define money market.   **(5)**

    b) For a money market to be referred to as developed what features ought to be present?   **[20]**

Question 6

a)   What are the sources of long term finance?   **(10)**

b)   What is the value of a debenture which has a face value of $100.00, a coupon of 25% per annum, 15 years to maturity, and a yield of 20% per annum.

                                                                                 [15]