

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE
FINANCIAL MARKETS [CFI 2103]
SUPPLEMENTARY EXAMINATION AUGUST 2010
TIME ALLOWED: 3 HOURS

INSTRUCTIONS

1. Attempt any **FOUR** questions
2. Show all workings
3. Write legibly
4. All questions carry equal marks [25 marks]

Question 1

Discuss the properties of a good financial asset that would enhance their attractiveness to different classes of investors. [25 marks]

Question 2

Discuss the various forms of financial market regulation used in Zimbabwe. [25 marks]

Question 3

- a) For a money market to be referred to as developed what features ought to be present?
- b) What will be the maturity value of an NCD with a principal of \$100 000 issued on the 1st April 2007 and maturity on 30th July 2007 at an interest rate of 25% per annum? [25 marks]

Question 4

Financial markets are an essential part of any economy, as they serve various purposes. With the aid of a diagram depict the complex circular flow of income discuss the basic functions of financial markets. [25 marks]

Question 5

What do you think explains the popularity of the limited liability company as the legal form of so many firms in Zimbabwe? [25 marks]

Question 6

The Wallace Company desires to lease a piece of equipment valued at \$100,000 from the Gray Company for a period of 5 years. Under the terms of the lease, payments are to be made at the beginning of each of the 5 years. The Gray Company expects to sell the asset for an estimated salvage value of \$10,000 at the end of the 5-year period. If Gray requires an 11% before tax return on the lease (exclusive of any benefits which may accrue from claiming the investment tax credit or using the depreciation tax shield), what will be the annual lease payments?

[25 marks]