

NATIONAL UNIVERSITY OF SCIENCE & TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE
PART IV 2ND SEMESTER SUPPLEMENTARY EXAMINATION – AUGUST
2006
RISK MANAGEMENT [CFI 4204]
TIME ALLOWED: 3 HOURS 10 MINUTES

INSTRUCTIONS

1. THE PAPER IS 3 HOURS 10 MINUTES, OF WHICH 10 MINUTES IS READING TIME.
- 2.
3. ANSWER ANY FIVE QUESTIONS.
4. WRITE LEGIBLY.

QUESTION 1

Explain the liquidity management techniques that could be used by Financial Institutions in Zimbabwe. (20)

QUESTION 2

- (a) Distinguish between a forward and a futures hedge. (10)
- (b) Explain how a money market hedge operates. (10)

QUESTION 3

Discuss the techniques for assessing interest rate risk. (20)

QUESTION 4

Explain the sources of the following type of risks indicating how best they can be managed in the Zimbabwean context.

- (a) Market risk. (7)
- (b) Credit risk (7)
- (c) Currency risk (6)

QUESTION 5

What are the sound practises for the management and supervision of operational risks. (20)

QUESTION 6

Why do firms hedge? Give examples in your explanations. (20)