

UNIVERSITY OF SWAZILAND
SUPPLEMENTARY EXAMINATION PAPER 2005
DEPARTMENT OF ACCOUNTING

COURSE TITLE : PRINCIPLES OF FINANCE AND BANKING

COURSE CODE : IDE-AC 3 0 3-2

DIPLOMA : DIPLOMA IN COMMERCE III

TIME ALLOWED : TWO (2) HOURS

INSTRUCTIONS 1. TOTAL NUMBER OF QUESTIONS ON THE PAPER: THREE (3)

2. ANSWER ALL THREE (3) QUESTIONS.

3. THE MARKS AWARDED FOR A QUESTION ARE INDICATED AT THE END OF EACH QUESTION.

4. WHERE APPLICABLE, ALL WORKINGS ARE TO BE SHOWN.

5. CALCULATIONS ARE TO BE MADE TO TWO DECIMAL PLACES OF ACCURACY, UNLESS OTHERWISE INSTRUCTED.

6. ASSUME A 360-DAYS YEAR

SPECIAL REQUIREMENTS: CALCULATOR

NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF THE ACCURACY OF LANGUAGE, THE GENERAL QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

THIS QUESTION PAPER SHOULD NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR

QUESTION 1:

a) Discuss the advantages of insurance to individuals and the business community.

[10 marks]

b) "No claim without flame". Discuss this statement in relation to fire insurance policy.

[5 marks]

c) What is an "average" clause in a fire insurance policy ?

[5 marks]

d) Differentiate between "double insurance" and "re-insurance".

[5 Marks]

e) What is "Jettison" as used in marine insurance.

[3 Marks]

f) Describe briefly any two life insurance policies issued by Swaziland Royal Insurance Corporation .

[2 Marks]

[Total 30 Marks]

QUESTION 2:

a) Describe the activities of Central Bank of Swaziland.

[10 Marks]

b) Discuss any three functions of investment banks.

[10 Marks]

c) What credit standards are used by banks and business community to evaluate general credit risks. Discuss in detail any three credit standards.

[10 Marks]

[Total 30 marks]

QUESTION 3:

a) Discuss briefly any five economic functions performed by the stock exchanges?

[15 Marks]

b) In what ways investor benefit from the existence of stock exchanges ?

[15 Marks]

c) You find the following quote for MOBILE- N Company in the financial pages of today's newspaper:

PE	EY	DY	Name	Buy	Sell	Last	Ruling	High	Low	DM	DM%	YM%
11.1	9.0	2.6	Mobile-N	140	150	140	140	140	140	-10	6.7	-

REQUIRED:

- 1. What was the closing price for the shares of Pep ?**
- 2. The Company currently has 100 000 shares in issue and pays dividend once in a year. How much total dividend was paid in Rand ?**
- 3. What was the net profit for the past year if the Company has 100 000 shares in issue ?**
- 4. If the average price during the day was E 1.40, what was the Earnings per share (EPS) for Mobile-N Company ?**

[10 Marks]

[Total 40 Marks]