UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER 2006

DEPARTMENT OF ACCOUNTING

COURSE TITLE	:	PRINCIPLES OF FINANCE AND BANKING
COURSE CODE	:	IDE-AC 303-2
DEGREE	:	DIP. COM. III
TIME ALLOWED	:	TWO (2) HOURS

INSTRUCTIONS

1. TOTAL NUMBER OF QUESTIONS ON THE PAPER: FOUR (4)

2. ANSWER ALL FOUR (4) 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.

[15 marks]

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

[2 marks]

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

[2 marks]

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

[2 Marks]

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

[2 Marks]

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

[2 Marks]

[Total 25 Marks]

QUESTION 2:

a) Describe the activities of Central Bank of Swaziland.

[10 Marks]

b) Identify and describe four different types of sources of short-term financing.

[15 Marks]

[Total 25 marks]

QUESTION 3:

a) Calculate the annual percentage rate or cost of failure to take cash discount under the following credit terms:

       i)   1/10, net 20
      ii)   1/10, net 30
     iii) 2/10, net 20
     iv) 3/15, net 45

                                                [8 marks]

b) Swaziland Jet Stores needs an additional E 480 000, which it plans to obtain through a factoring arrangement. The factor would purchase Jet's accounts receivables and advance the invoice amounts, minus 3.25% commission, on the invoices purchased each month. Jet sells on terms of net 30 days.

In addition, the factor charges a 9% annual interest rate on the total invoice amounts, to be deducted in advance.

i) What amount of account receivable must be factored to net E 480 000 ?

                                              [8 Marks]

ii) If Jet can reduce credit expenses by E 6 000 per moth and avoid bad debt losses of 3% on the factored amount, what is the total Emalangeni cost of factoring arrangement?

                                              [9 Marks]

                                       [Total Marks 25]

QUESTION 4:

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

[15 Marks]

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

[2 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	-

[2 Marks]

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 ?

[6 Marks]

[Total 25 Marks]