

**UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING**

SUPPLEMENTARY EXAMINATION PAPER 2012

- COURSE TITLE : PRINCIPLES OF INSURANCE, STOCK EXCHANGE AND BANKING**
- COURSE CODE : AC 314/IDE AC 314**
- DEGREE/DIPLOMA : DIPLOMA IN COMMERCE**
- TIME ALLOWED : THREE (3) HOURS**
- INSTRUCTIONS :**
- 1. TOTAL NUMBER OF QUESTIONS ON THE PAPER: FOUR (4)**
 - 2. ATTEMPT 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.**
- SPECIAL REQUIREMENTS : NONE**
- 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) Sekunjalo Ltd, a Swazi Company, buys goods from Redland which cost 200 000 Reds (The local currency). The goods are resold in Swaziland for E320 000. At the time of the import purchase the exchange rate for Reds against Lilangeni is 3.5650 – 3.5800.

Sekunjalo Ltd sells its foreign currency income as soon as it is received, at the spot rate. The overseas buyer is given three months credit.

Required to calculate:

The expected profit on resale

(3 MARKS)

- b) What would the actual profit be if the spot rate at the time when the currency is received has moved to :

i) 3.0800 – 3.0950

(3 MARKS)

ii) 4.060 – 4.0800

(4 MARKS)

Ignore bank commission

- c) Discuss the Bretton Woods 1944 -1971 agreement and explain why it eventually collapsed in 1971

(15 MARKS)

TOTAL (25 MARKS)

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QUESTION 2

- a) Discuss the advantages and disadvantages of listing a company's shares on a recognized stock exchange

TOTAL 25 MARKS

QUESTION 3

a) Discuss the socio-economic significance of insurance

(25 MARKS)

QUESTION 4

a) At the age of 40 Sangweni, wants to take out a life policy of E 60 000. The number of persons living at this age is 960 000 and the number of persons dying is 5500. The premium is invested by the insurance company and earns a compound interest of 3% per annum. Calculate the cost of insuring all the members of the age group of 40 years for one year.

(4 MARKS)

b) Explain the difference between bank solvency and bank liquidity

(4 MARKS)

c) Explain the following terms:

i) Rights issue

(4 MARKS)

ii) Bull Markert

(4 MARKS)

iii) Bear Markert

(4 MARKS)

iv) Market Capitalisation

(5 MARKS)

TOTAL MARKS (25 MARKS)