

**UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ACCOUNTING**

**SUPPLEMENTARY EXAMINATION PAPER 2013**

**COURSE TITLE : PRINCIPLES OF INSURANCE, STOCK EXCHANGE AND BANKING**

**COURSE CODE : 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**

An import-export merchant contracts on 31 December to buy 1,500 tonnes of a certain product from a supplier in country X at a price of S\$11,820 per tonne. Shipment will be made direct to a customer in country Y to whom he has sold the product at Y\$462 per tonne. Of the total quantity, 500 tonnes will be shipped during January and the balance by the end of February. Payment to the suppliers is to be made immediately on shipment whilst one month's credit from the date of shipment is allowed to the country Y customer.

The merchant arranges with his bank to cover these transactions in sterling on the forward exchange market, the exchange rates at 31 December being those given below.

	X\$	Y\$
Spot	107.45 – 107.75	3.84 – 3.88
1 month forward	55 – 105 c dis	2½ - 1½ c premium
2 months forward	75 – 175 c dis	4 – 3 c premium
3 months forward	106- 250 c dis	6½ - 5½ c premium

Exchange commission is 1 per mille (maximum £10) on each transaction

**Required**

- a) Calculate (to the nearest pound) the profit the merchant will make on the transaction.

**(10 MARKS)**

- b) Explain how calculations of further exchange profit or loss would be made if:

- i) The February shipment were cancelled
- ii) The February shipment were delayed until April

**(15 MARKS)**

**TOTAL (25 MARKS)**

**QUESTION 2**

One of the benefits offered by stock exchanges is the provision of a forum for the valuation of securities.

- a) Discuss the reasons for share valuation

**(12 MARKS)**

- b) Discuss the factors which affect share prices

**(13 MARKS)**

**TOTAL (25 MARKS)**

**QUESTION 3**

Explain the following principles of insurance

a) Indemnity

**(7 MARKS)**

b) Contribution

**(6 MARKS)**

c) Subrogation

**(6 MARKS)**

d) Insurable interest

**(6 MARKS)**

**(25 MARKS)**

**QUESTION 4**

Write short explanatory notes on the following:-

a) Forward exchange contract

**(6 MARKS)**

b) House owners Insurance

**(6 MARKS)**

c) JSE Actuaries all share index

**(7 MARKS)**

d) Basis point

**(6 MARKS)**

**TOTAL MARKS (25 MARKS)**