

**UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING**

SUPPLEMENTARY EXAMINATION PAPER 2015

- COURSE TITLE : FINANCIAL INSTITUTIONS AND MARKETS**
- COURSE CODE : AC 310**
- DEGREE/DIPLOMA : DEGREE**
- 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 : PV TABLES**
- NOTE :** YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF THE ACCURACY OF LANGUAGE, THE GENERAL QUALITY OF EPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

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

QUESTION 1

- a) What will the relationship be between coupon rate, current yield and yield to maturity for bonds setting at discounts from par?

(5 MARKS)

- b) Assume a bond with par value of E 1,000 and coupon rate of 8% per annum. Calculate the bond prices at the different market interest rates by completing the following table:-

Time to Maturity	5%	7%	8%	10%	12%
1 Year					
10 Years					
20 Years					
30 Years					

(20 MARKS)

TOTAL: (25 MARKS)

QUESTION 2

a) Discuss the three functions performed by commercial banks in Swaziland

(6 MARKS)

b) Discuss the various exchange rate policy options available to different countries

(7 MARKS)

c) You are given the following:-

	<u>Spot</u>	<u>One month forward</u>	<u>Three months forward</u>
US (dollar)	1.5200 – 1.5210	0.32-0.27c pm	0.89-0.84 pm
Canada (dollar)	1.8630-1.8640	0.30-0.20c pm	0.90-0.80 pm
Netherlands' (guilder)	4.05¼ - 4.06¼	2¾ - 1¾c pm	6¼ - 6¼ pm
Belgium (franc)	72.20 – 72.30	10 - 20c dis	45 – 55 dis
Denmark (krone)	13.01-13.02	44 - 5½ ore dis	18¾ - 19¾ dis
Germany (DM)	3.06½ - 3.07½	2 - 1½ pf pm	5½ -5 pm

Calculate the cost or value in sterling to a customer who wishes to:-

- Buy US\$ 14 000 one month forward from his bank
- Buy Canadian \$ 25 000 spot
- Buy Belgian francs 75 000 three months forward
- Sell guilders 28 000 one month forward
- Sell Danish kroner 20 000 three months forward
- Sell DM 6 000 one month forward

(20 MARKS)

TOTAL: (25 MARKS)

QUESTION 3

Discuss the BRETON WOODS agreement and why it failed?

TOTAL: (25 MARKS)

QUESTION 4

Write explanatory notes on the following:

- | | |
|--------------------|-----------|
| a) Call Option | (6 MARKS) |
| b) Put Option | (6 MARKS) |
| c) American Option | (7 MARKS) |
| d) European Option | (6 MARKS) |

TOTAL: (25 MARKS)