

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING AND FINANCE
EXAMINATION PAPER MAY 2017 ACADEMIC YEAR 2016/2017

PROGRAMME OF STUDY	Bachelor of Commerce
YEAR OF STUDY	Year 1 (Full Time)
TITLE OF THE PAPER	Principles of Finance
COURSE CODE	ACF 114
TIME ALLOWED	Three (3) Hours

INSTRUCTIONS

1. There are **Four (4)** questions, **ANSWER ALL**.
2. Begin the solution to each question on a new page.
3. The marks awarded for a question are indicated at the end of each question.
4. Show your necessary workings.

NOTE: You are reminded that in assessing your work, account will be taken of accuracy of the language and the general quality of expression, together with layout and presentation of your answer.

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR / SUPERVISOR.

QUESTION ONE

Define the following financial markets and give two examples of securities that trade in each.

(Total Marks 25)

- | | |
|-----------------------------|---------|
| i. Money market | 5 Marks |
| ii. Capital market | 5 Marks |
| iii. Secondary Market | 5 Marks |
| iv. Over the Counter Market | 5 Marks |
| v. Primary Market | 5 Marks |

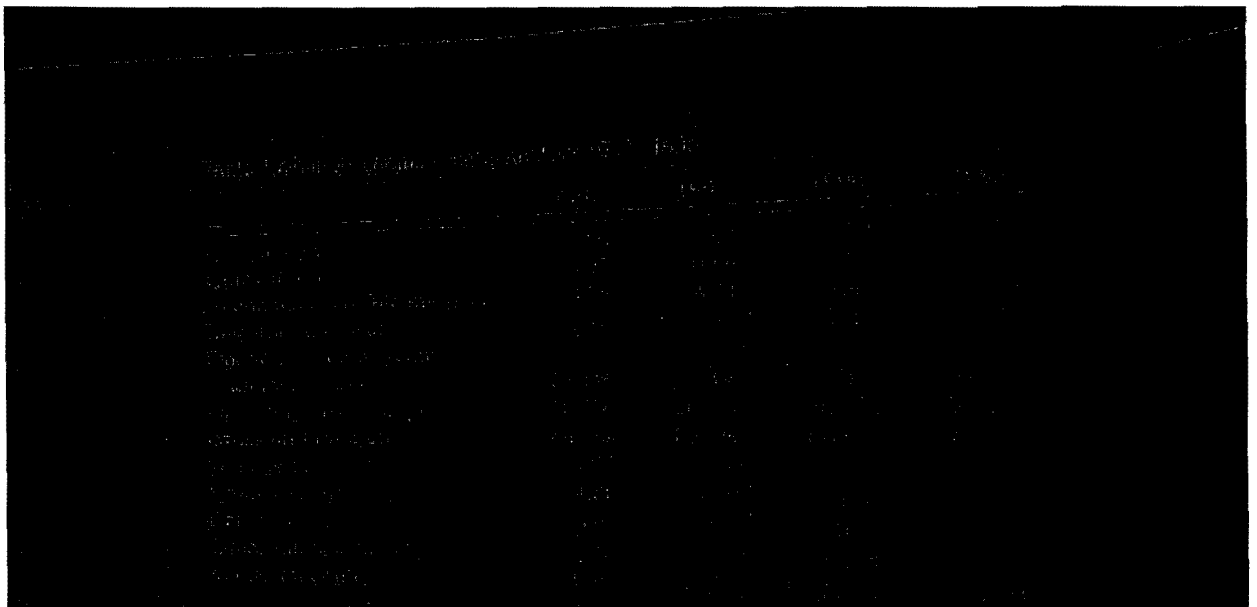
QUESTION TWO

- (a) Describe any five risks associated with investing in Bonds (5 Marks each)

(Total Marks 25)

QUESTION THREE

- a) The table below shows ratio analysis for Gillette Company for the years 1992-1996.



Based on the trends shown, briefly describe and draw conclusions on the company's performance with respect to

- i. Liquidity (4 marks)
- ii. Operating profitability on assets (4 marks)
- iii. Use of Debt financing (4 marks)
- iv. Return on equity (4 marks)

b) Briefly define the following financial ratios

- i. Interest coverage ratio (3 marks)
- ii. Stock turnover ratio (3 marks)
- iii. Net profit margin (3 marks)

(Total 25 Marks)

QUESTION FOUR

(Show all workings)

- (a) Mr X deposits E100, 000 in a savings bank account today, at 5% simple interest for 5 years. What is his accumulated interest (2.5 Marks)
- (b) Mr X invested E40, 000 today, for a period of five years. Calculate the future value if his required rate of return is 10% (4 Marks)
- (c) Suppose you deposit E100, 000 with an investment company which pays 10% interest with semi-annual compounding. What is the total amount at the end of 5 years (4 Marks)
- (d) Mr. A. deposits at the end of each year E2, 000, E3, 000, E4, 000, E5, 000 and E6, 000 for five years respectively. What is his series of deposits value at the end of five years assuming 6% compound interest (4 Marks)
- (e) A borrower offers 16% rate of interest with quarterly compounding. What is the effective rate of interest (2.5 Marks)
- (f) What is the present value of E100, 000 receivable after 60 years if the investor's required rate of interest is 10% (4 Marks)
- (g) Calculate the present value of E10, 000 received in perpetuity assuming a discount rate of 12% (4 Marks)

(Total Marks 25)

=====END of PAPER=====