



FACULTY OF ECONOMIC AND FINANCIAL SCIENCES (M2)

INTERNAL MODERATOR'S REPORT

PART A - TO BE COMPLETED BY THE MODERATOR PRIOR TO THE ASSESSMENT OPPORTUNITY

Department: ECONOMICS & ECONOMETRICS Module code: BNK11A1

Module name: BANKING 1A

Month and year of assessment opportunity: JUNE 2014

Title and name of moderator: MR JB MARETANE

Academic and professional qualifications: MCOMM

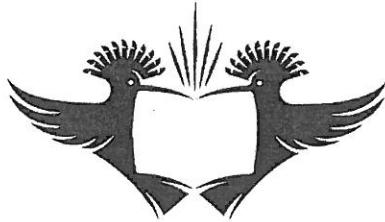
Please indicate:

- a) I have moderated the paper prior to the assessment opportunity.
b) Suggested changes have been accommodated

	YES	NO
N/A	YES	NO

Please indicate how you rate the course and the assessment in relation to each of the following factors:

	<u>Good</u>	<u>Acceptable</u>	<u>Unsatisfactory</u>
1. The standard of the assessment in terms of the cognitive level of the qualification.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The quality of the questions (range and scope of questions)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



UNIVERSITY
OF
JOHANNESBURG

DEPARTMENT OF ECONOMICS AND
ECONOMETRICS

FINAL ASSESSMENT JUNE 2014

SOWETO CAMPUS

Course: Banking 1A
BNK 11A1

Time: 2 Hours

Marks: 100

Date: 6 June 2014

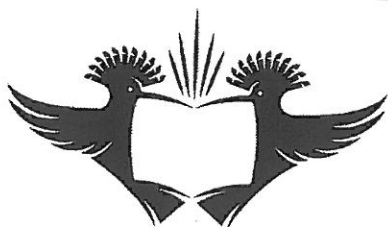
Assessor: Mrs M Lepheana

Moderator: Mr JB Mabejane

Instructions

1. The paper consists of 5 pages and 5 questions
2. Answer all questions
3. Write neatly and legibly

Question	Total
Question1	10
Question2	24
Question3	22
Question4	29
Question5	15
TOTAL	100



UNIVERSITY
OF
JOHANNESBURG

DEPARTMENT OF ECONOMICS AND
ECONOMETRICS

FINAL ASSESSMENT JUNE 2014
SOWETO CAMPUS

Course: Banking 1A
BNK 11A1

Time: 2 Hours

Marks: 100

Date: 6 June 2014

Assessor: Mrs M Lepheana

Moderator: Mr JB Mabejane

Instructions

1. The paper consists of 5 pages and 5 questions
2. Answer all questions
3. Write neatly and legibly

Question	Total
Question1	10
Question2	24
Question3	22
Question4	29
Question5	15
TOTAL	100

QUESTION 1

[10] Marks

Each correct answer in this section will be awarded 1 mark, and there is only one correct answer.

1.1 Which of the following are the subdivisions of the financial service industry?

- a) (i), (ii), (iii) b) (i), (iii), (v) c) (i) and (iv) d) all of them

- (i) Banking and credit
- (ii) Foreign exchange
- (iii) Investment and retirement
- (iv) Lenders and borrowers
- (v) Insurance

1.2 Financial institutions act as financial intermediaries between lenders and borrowers in the financial system. The benefits of financial intermediaries are:

- a) (i), (ii), (iii) b) (ii) and (v) c) (ii), (iii), (iv), (v) d) (i) and (ii)

- (i) Diversifying the portfolio
- (ii) Mitigating risk
- (iii) Reduced liquidity
- (iv) Corporate governance
- (v) Mismatch of assets and liabilities

1.3 Financial markets provide a location where lenders and borrowers can meet at their convenience. They increase efficiency and synergy. Which statement is **incorrect** about the financial markets?

- a) Primary markets is a market where new securities are issued while secondary market is a market where previously issued financial claims are traded.
- b) Money market is where securities with maturity of less than a year are traded while bond market is for securities that have a maturity of over a year.
- c) Derivative market refers to options, property, futures and money market
- d) Foreign exchange market act as a conduit between local and international markets.

1.4 Open market operation (OMO) is conducted in order to drain excess liquidity in the market. Which of the following statement is true about OMO.

- a) South African Reserve bank conduct OMO by printing more notes and coins
- b) South African Reserve bank conduct OMO by issuing its own debentures and granting loans to banks
- c) South African Reserve bank conduct OMO by issuing its own debenture, selling longer term reverse repos and foreign exchange swap transactions.
- d) The government conducts OMO by issuing treasury bills and government bonds.

1.5 Customer satisfaction has become a key focus of the regulators and the financial service providers. Which of the following statement is true:

- a) The Pension Fund Act 24 of 1956 regulates short term and long term insurers
- b) The Financial Intelligence Act 38 of 2001 deal with insider trading
- c) Prevention of organised crime act 121 of 1998 deals with organised crime, money laundering and criminal gang activities.
- d) Financial Advisory and Intermediary Service Act 37 of 2002 regulates banks.

1.6 The purpose of regulation is to achieve a sound and efficient financial system. The banks are regulated and supervised by the SARB Supervisory department. The objectives of the department are:

- a) (i), (ii), (v) b) (ii) and (v) c) (ii), (iii), (iv) d) all of them

- (i) Increasing liquidity
- (ii) Ensuring systematic stability
- (iii) Enhancing efficiency
- (iv) Protecting investors and depositors
- (v) Protecting banks

1.7 The Financial advisory and intermediary Service Act 37 of 2002 requires that financial services providers (FSP) to be "fit and proper". Which of the following is not a requirement for FSP to be fit and proper

- a) Honesty and integrity
- b) Financial soundness
- c) Operational ability
- d) Key individual

1.8 It is always good to embrace change but its benefits have to outweigh its costs. The changes in the financial system has highly impacted the markets, industries and companies. The major global drivers of change have been identified as :

- a) Social, technical, economic, environmental and political
- b) Interest rates, inflation and unemployment
- c) Spot market and derivative markets
- d) Exports and imports

1.9 Customer relationship management is best described as an approach based on what will succeed best in the future concerning the clients. Which of the following are its primary objectives?

- a) (i), (ii), (iv) b) (i), (iv), (v) c) (i), (ii), (iii) d) all of them

- (i) Obtain new clients

- (ii) Increase cross-selling ratio
- (iii) Maintain existing clients
- (iv) Increase client profitability
- (v) Assessment of client behaviour

1.10 The King Report was established to address increasing corporate failures and also the need for better control over corporate entities. Which of the following is not one of the characteristics identified by the Second King Report?

- a) Social responsibility
- b) Management discipline
- c) Management dependence
- d) fairness

QUESTIONS 2

[24] Marks

2.1. The SARB main function is to maintain the price stability in the economy by implementing monetary policy. The current monetary policy framework it has adopted is the inflation targeting. Discuss other five functions of the SARB besides monetary policy.

(10)

2.2. It is very vital that banks identify and understand the risk to which they are exposed and place high priority on operative risk management. There are numerous types of financial risks that effect the operations of banks, discuss five types.

(10)

2.3. The Financial Intelligence Act 38 of 2001 enforces duties on certain financial institutions to implement measures that combat money laundering. Identify the requirements of the ACT.

(4)

QUESTION 3

[22] Marks

3.1 There are numerous ombudsman schemes in operation in South Africa. The main aim is to have an efficient dispute resolution mechanism in the financial system. The ombudsman should be independent from the institutions operating in the relevant industry. Explain in which case the Ombudsman for Banking Service can and cannot assist the clients.

(10)

3.2 Financial advisory and planning is one of the professions in the financial sector which has been under intense scrutiny in the initiative of consumer protection. They have to meet the "fit and proper" requirements of FAIS Act 37 of 2002 and comply with the FSB General Code of Conducts. Discuss the steps designed by the international Certified Financial Advisors (CFA) as best practices in furnishing financial advice to clients.

(12)

QUESTION 4

[29] Marks

4.1 The banks income can be divided into two categories, interest income and non-interest income (off balance sheet transaction). Explain the interest income by analysing the banks' balance sheet. (12)

4.2 The banks are required to hold 5% of their total liabilities as liquid assets in their portfolio. The aim of this requirement is to reduce the risk. List the financial assets which are accepted as liquid reserves. (4)

4.3 The banking environment in SA has evolved quite tremendously, some of the factors that contributed to this growth are technology, regulation, financial innovation etc. Analyse the threats presented to local banks by foreign entities entering SA. (5)

4.4 Justify why banks need to be supervised. (8)

QUESTION 5

[15] Marks

5.1 The world economies have become more dependent on each other in terms of trade and flow of funds. Even though the interdependence has promoted the growth of most economies and also promoted specialisation, it has also increased the spill over effect. A practical example of the spill over was witnessed during the 2007/08 recession. With the aid of a diagram, explain the stages of the business cycle. (8)

5.2 The financial system can either be bank based or market based. Most of the developed countries have a market-based financial system with developed markets. Illustrate the structure of the financial markets. (6)

5.3 TRUE or FALSE, financial markets increase efficiency in the financial system. (1)