



DEPARTMENT OF ECONOMICS AND ECONOMETRICS
FINAL ASSESSMENT NOVEMBER 2014
BUNTING CAMPUS

Course: BANKING 2B (Diploma)

Marks: 100

Time: 2 hours

Assessors: J MABEJANE

Moderator: Mrs Lepheana

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1. The paper consists of 6 questions
 2. Answer all the questions.
 3. Number of pages: 4 pages including this page
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Question 1**20 Marks****Define the following concepts**

- 1.1 A derivative (2)
- 1.2 A swap (2)
- 1.3 A forward contract (2)
- 1.4 A put option (2)
- 1.5 A call option (2)
- 1.6 A vanilla option (2)
- 1.7 A bear sale (2)
- 1.8 A short position (2)
- 1.9 American Option (2)
- 1.10 European Option (2)

Question 2**8 Marks**

Mr. Kobus decides to invest some funds amounting to R85, 000,000 into Treasury Bills, he goes in to the market and establishes that treasury department offers a treasury bill at discount rate of 15 percent offered for 182 days:

Calculate:

- 2.1 The discount amount (2)
- 2.2 Consideration (2)
- 2.3 Price of this instrument as a percentage (2)
- 2.4 The yield of this instrument. (2)

Question 3**12 Marks**

Mr Kikine decide to buy an NCD with a nominal value of 48 million issued at an interest of 13% for 91 days.

3.1 Calculate the maturity value of this investment and the profit/proceed/added Value on this instrument. (3)

Assume that the NCD is sold after 70 days when the market rate has dropped to 2%:

3.2 Calculate consideration/proceeds in the secondary market (3)

Mrs Morrows goes to FNB to scout for investment opportunities, the FNB investment Banker tells her that she will be given 1,590,000 after 3 years if she invests 1,975, 000. Assume the market rate is 15% at the time for monthly compounding.

Show all the calculations

3.3 Assess whether this is a good investment assuming monthly compounding.

(6)

Question 4

6 Marks

A bond is traded with trade details as follows

Nominal amount: R17 000,000.00

Coupon rate: 22%

Coupon payment days: 15th June and 15th December

Register closes: April 10th and 10th October

Assume the bond is settled on the August 15th

4.1 Indicate whether the bond is trading cum-interest or ex-interest and justify your answer. (3)

4.2 Assume that all in price is 98% calculate the Clean Price (3)

Question 5

9 Marks

Assume Mr Jenky a treasury dealer at Misha holdings based in South Africa wants to buy 2000 shares of IBM denominated in dollars and each share is priced at 20 USD. Further assume that his bank treasury dealer shows the following quotes on the day:

USD/JPY: 4, 0050 /4, 0055

JPY/RAND: 3, 0300/ 3, 0370

Calculate the spread between the following currencies:

5.1 A dollar and a Japanese Yen (3)

5.2 A dollar and a Rand (3)

5.3 How much does Mr Jenky have to pay for the shares in Rands (3)

Question 6

45 Marks

6.1 Outline and discuss any five methods of listing shares in South Africa (10)

6.2 Outline and discuss any five bonds issued by the corporate sector (10)

6.3 Discuss theories of Exchange rate determination (10)

6.4 Outline and discuss the factors affecting or determining interest rates on Bonds (15)

End of Paper