



Department of Commercial Accounting

## FINANCIAL SERVICES OPERATIONS 3B

### FSO33B3

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**Last Assessment Opportunity**

**Date of Test: November 2017**

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**Time: 3:00 hours**

**Marks: 100**

**Assessor:** Yusuf Patel

**Moderator:** Thabo Gopane (Internal)  
Gareth Knight (External)

**INSTRUCTIONS:**

- This paper consists of 7 pages (including the cover page).
- Start each question on a new page.
- Write neatly
- Calculators are allowed, you cannot borrow a calculator.

Question	Topic	Marks	Time
1	Other investor services	17	30 minutes
2	Aspects of taxation	12	22 minutes
3	Risk	21	38 minutes
4	Islamic Finance	25	45 Minutes
5	Property valuation	25	45 Minutes
		<b>100</b>	<b>180 minutes</b>

**QUESTION 1 - (17 marks)**

- 1.1) Explain why a client would use a multi-currency account and the advantages and disadvantages of a multi-currency account. (7)
  - 1.2) Within securities lending, the lender assumes certain risks. Identify these risks and provide four factors or precautions that may be used to mitigate this risk. (6)
  - 1.3) Explain what is meant by a securities lending repo agreement and how the risk faced by the lender may be reduced. (4)
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**QUESTION 2 - (12 marks)**

- 2.1) A UK taxpayer has received dividends of £89000, this is there only taxable income for the year.  
Calculate the tax payable by the individual. (2)
  - 2.2) A US investor purchases a 15 year bond with a face value of \$10 000 with 7 years remaining until maturity.  
  
Calculate the *de minimis* threshold (2)
  - 2.3) Explain what is meant by withholding tax (3)
  - 2.4) Explain what a DTT is, and state four reasons for its establishment. (5)
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**QUESTION 3 - (21 marks)**

- 3.1) Explain why BASEL was introduced as well as any further developments that occurred to the BASEL framework (6)
  - 3.2) A risk review is required by SEC Rules 17f-5 and 17f-7. Detail the factors that need to be addressed within 17f-5 and 17f-7 respectively. (8)
  - 3.3) Contrast the AAF 01/06, SSAE 16 and ISAE 3402 reports. (4)
  - 3.4) List the ownership restrictions applicable for non-resident investors in Australia. (3)
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**QUESTION 4 - (25 marks)**

- 4.1) Briefly explain the following types of Islamic finance contracts:
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- 4.1.1) Mushakara (1)
  - 4.1.2) Mudaraba (1)
  - 4.1.3) Wakala (1)
  - 4.1.4) Ujra (1)
  - 4.1.5) Amanah (1)
  
  - 4.2) There are two basic forms of contracts in Islamic finance, namely asset-backed finance and participation finance. Discuss in detail how the two finance types function and provide an example of each type of finance (8)
  
  - 4.3) Explain what is meant by the following secondary sources of Shariah law:
    - 4.3.1) Istihsan (2)
    - 4.3.2) 'Urf (2)
    - 4.3.3) Istihsab (2)
  
  - 4.4) Explain what the primary functions are of the following bodies:
    - 4.4.1) IFSB (2)
    - 4.4.2) IIRA (2)
    - 4.4.3) AAOIFI (2)
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#### **QUESTION 5 - (25 marks)**

##### **REQUIRED:**

Select the correct option by crossing (✕) the appropriate letter on the **answer sheet** in the answer script.

- 1) Demand for real estate may be affected by?
  - a. Increasing population and employment.
  - b. Availability of mortgage financing
  - c. Increases in purchasing power
  - d. All of the above
  
- 2) A good's capacity to satisfy human desires or needs is known as?
  - a. Creative demands
  - b. Utility
  - c. Functional obsolescence
  - d. Effective demand
  
- 3) The three approaches to value are?
  - a. Market analysis, market consensus of opinion, and market research
  - b. Sales extraction, cost replication, and income multiplication
  - c. Sales comparison, cost, and income capitalization
  - d. Graphic analysis, linear regression, and statistical analysis

- 4) Market value can be described as?
- a. The price a person paid for real property
  - b. The cost of the land plus the cost of the building
  - c. The present worth of future benefits
  - d. Whatever someone will pay for something
- 5) Capital is?
- a. Accumulated wealth, a lump sum available for investment
  - b. The location of the center of government
  - c. A death sentence
  - d. The building in which a legislative body meets
- 6) A real property interest held by a lessee and conveying the right of use and occupancy for a stated term and under certain conditions is called the?
- a. Leasehold estate
  - b. Fee simple estate
  - c. Leased fee estate
  - d. Determinable fee estate
- 7) The four forces that influence real estate values are?
- a. Social, economic, governmental, and environmental
  - b. Land, labor, capital, and green space
  - c. Eminent domain, police power, escheat and taxation
  - d. Governmental, social, taxation and economic conditions
- 8) The city planning department indicated a vacant residential lot located in the flood zone cannot be given a building permit. This site?
- a. Has lost nearly all utility
  - b. Has become scarce
  - c. Has lost all desirability
  - d. Has lost any effective purchasing power
- 9) The value to be estimated is set by?
- a. The property type
  - b. The client's problem
  - c. Highest and best use
  - d. The existing zoning classification
- 10) A cash-equivalent price means?
- a. The price reflects what a seller would accept as if he or she received cash at the closing

- b. The price includes the seller paying no more than 5 points (5%)
  - c. The rights in realty can only be fee simple
  - d. It is assumed that the buyer did not have to get a mortgage
- 11) The value of a property to a particular user is known as?
- a. Market equal to cost
  - b. Value in exchange
  - c. Use value
  - d. Leasehold value
- 12) Ownership of real property by two or more parties with an undivided interest is called?
- a. Joint tenancy
  - b. Tenancy by the entirety
  - c. Sole proprietorship
  - d. Tenancy in common
- 13) When real property is sold by one person to another, the amount of money used to \_\_\_\_\_ compensate the seller is called?
- a. The cost of the real property
  - b. The value of the real property
  - c. The price of the real property
  - d. The income of the real property
- 14) Demand for housing is affected when?
- a. Builders cannot find enough building materials to complete the job
  - b. A new factory opens hiring several hundred new employees
  - c. Zoning laws restrict new construction to the point that not enough homes are build
  - d. Builders do not recognize a downturn in the market
- 15) Stocks are?
- a. A punishment for bad valuers
  - b. A lending instrument
  - c. A low-risk, high-yield investment
  - d. An ownership interest in a company (i.e., shares)
- 16) Economic influences include all of the following except?
- a. Occupant income levels
  - b. Crime levels
  - c. Property rent levels
  - d. Property value levels
- 17) There are three approaches to estimating market value because?

- a. Purchasers have three alternative options available
  - b. SACPVP says all valuers must use all three approaches to value
  - c. There are three ways to look at anything
  - d. It is required for good statistical significance
- 18) A trade area is?
- a. An area where property owners trade rather than sell the properties
  - b. A geographic area from which a retail centre will draw its customers
  - c. An area where the owners-inhabitants are generally employed
  - d. An area where an office building owner will trade tenants with other office building owners
- 19) You own a small rental house with two acres, and you marry a woman who has a son from a previous marriage. To provide for your new stepson, you give him a life estate in the small house. When your stepson turns 18, he can?
- a. Mortgage his interest
  - b. Rent the property out
  - c. Sell the life estate to someone else who will rent the property
  - d. All of the above
- 20) Servitudes are another division of property rights. They usually give the right?
- a. To cross over another person's property without permission
  - b. To access the property to perform a specific service
  - c. To use the property during the term of the lease to a tenant
  - d. To re-enter the property if the payments are not made on time to a lender
- 21) Supply of single-family residential properties is most affected by?
- a. An increase in employment in the area
  - b. A decrease in mortgage interest rates
  - c. An increase in the number of apartments built
  - d. An increase in the number of homes built
- 22) Externalities are?
- a. Factors outside the property that can affect the property value
  - b. Losses in value due to design and changes in building standards
  - c. Increases in value due to changes in land value
  - d. Losses in value due to changes in buyer preferences
- 23) The valuation technique in which land and building are valued separately?
- a. The income capitalization approach

- b. The sales comparison approach
  - c. Linear regression
  - d. The cost approach
- 24) A deed should be recorded because?
- a. Recording gives public notice of the transaction and sets the priority
  - b. It is required by law
  - c. Title does not pass until the deed is recorded
  - d. Recording makes the deed a legal document
- 25) You have owned a 40 ha parcel of land for the last 25 years. You paid the taxes on the real estate for the first 20 years but have not paid them for the last five?
- a. The state will get the taxes when the property is sold since the buyer will insist the taxes are paid prior to closing
  - b. The state has the right to sell the real estate to pay the back taxes
  - c. The state is powerless to collect these taxes
  - d. The state will sue you, and the courts will garnish your wages to get paid