



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	Department of Finance and Investment Management
CAMPUS(ES)	SWC
MODULE NAME	Banking Operations 2B
MODULE CODE	BOP22B2
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Supplementary Assessment Opportunity January 2020

ASSESSMENT DATE	January 2020	SESSION	12:30 – 15:30
ASSESSOR(S)	Mr T.A Gandanhamo		
MODERATOR(S)	Mr Kodisang		
DURATION	3 hours (180 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	4
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INFORMATION/INSTRUCTIONS:

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- This is a closed-book assessment. Combined question paper and answer book.
 - Read the questions carefully and answer only what is asked.
 - Answer all the questions.
 - Only approved calculators allowed.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
 - All Figures should be rounded off to 3 decimal places.
 - Do not use abbreviations
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Question 1: Financial Market terminology, technicalities and theories. (22 Marks)

- 1.1 Discuss the difference between holding period return and effective annual return (4)
- 1.2 Kelebogile bought a sculpture for R200 000 on 27 January 1998. She later sold the sculpture after it had accumulated in value for R525 000 on 28 January 2006.
- (i) Calculate the Holding period return (3)
 - (ii) Calculate the effective annual return (3)
- 1.3 List three (3) types for measures of value and three (3) types for measures of return (6)
- 1.4 Briefly explain the essential features of the Efficient Market Hypothesis. (6)

Question 2: The Money Market (16 Marks)

- 2.1 List the any four (4) participants in the Money Market. (4)
- 2.2 Share transactions totally electronic (Strate) is part of the money market dematerialization process. List the 4 categories under Strate. (4)
- 2.3 Mrs Jonathan would like to invest in a Treasury bill, she only has an interest in fashion and does not understand financial calculations. You are a financial advisor to Mrs Jonathan, and she has asked you to advise her. The Treasury bill is a six (6) month bill, a return of 12.5% and nominal amount of R15 000.
- (i) Calculate the Consideration paid (2)
 - (ii) Calculate the Discount amount (2)
 - (iii) Calculate the Price (2)
 - (iv) Calculate the Yield (2)

Question 3: The Bond Market (16 Marks)

- 3.1 List and explain five (5) factors that affect interest rates. (10)
- 3.2 Majority of the bonds traded on the Johannesburg Stock Exchange (JSE) are issued by the central government, currently the South African government issues three (3) different types of bonds. List and explain these 3 types of bonds. (6)
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Question 4: The Equity Market (18 Marks)

4.1 Define the following terms:

- (i) Dividends (1)
- (ii) Dividends per share (1)
- (iii) Earnings per share (1)
- (iv) Market Capitalisation (1)

4.2 Equity represents ownership in the business or company, shareholders own the company through the purchase of shares. What are the four (4) main rights of shareholders? (4)

4.3 Differentiate between Ordinary shares and Preference shares. (10)

Question 5: The Derivatives Market (18 Marks)

5.1 List the four (4) characteristics of Derivatives. (4)

5.2 Define the following:

- (i) Futures Contract (2)
- (ii) Forward Contract (2)

5.3 List and explain three (3) types of Market participants in Derivatives market. (6)

5.4 Define two (2) types of Options. (4)

Question 6: The Foreign Exchange Market (10 Marks)

6.1 Name the three (3) sources of Risk. (3)

6.2 List four (4) types of swaps. (4)

6.3 Define an Outright forward. (1)

6.4 Define the Purchasing Power Parity. (2)

Formulae

$$FV = PV(1+i*n)$$

$$PV = FV/(1+i*n)$$

$$FV = PV(1+i/f)^{f*n}$$

$$PV = FV/(1+i/f)^{f*n}$$

$$C = NV(1 - i_d * n)$$

$$P = 1 - (i_d * n)$$

$$i_y = (da / c) * 1/n$$

$$i_y = (dp / tp) * 1/n$$

$$i_d = i_y / (1 + i_y * n)$$

$$i_y = i_d / (1 - i_d * n)$$