

FINAL	%	
-------	---	--

BAN2602

OCT/NOV 2016

BANKING: INTRODUCTION TO TREASURY MANAGEMENT

STUDENT NUMBER									

IDENTITY NUMBER												

FOR USE BY EXAMINATION INVIGILATOR

BANKING FUNDAMENTAL PRINCIPLES

Subject

Number of paper

Date of examination

Examination centre

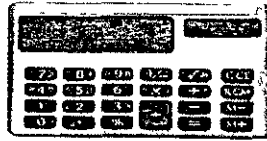
Question No	Marks		
	Examiners		
	1	2	3
A			
B			
C			
Total			

WARNING

- 1 A candidate who without authorisation takes into the examination venue any book, document or object which could assist him in the examination, and does not hand over such material to the invigilator before the official commencement of the examination, will be guilty of infringing the University's examination regulations and will be liable to punishment as determined by Council
- 2 Rough work may be done only on the examination question paper and must be labelled as such
- 3 No notes may be made on any part of the body, such as the hands, or on any garment
- 4 This page/paper is the property of the University and under no circumstances may the candidate retain it or take it out of the examination venue

NB PLEASE COMPLETE THE ATTENDANCE REGISTER ON THE BACK PAGE, TEAR OFF AND HAND TO THE INVIGILATOR

UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

UNISA  university of south africa

BAN2602

October/November 2016

BANKING · INTRODUCTION TO TREASURY MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

MS R DU RANDT

SECOND

MR NJ GODI

Use of a non-programmable pocket calculator is permissible

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue

The paper consists of 3 sections (A, B, and C).

Please answer all the questions in the space provided below each question.

This paper consist of 10 pages.

Turn over

SECTION A
20 marks

- 1 A bank's treasury department consists of a front office, middle office and back office Describe the responsibilities of the back office (5)

- 2 Evaluate the rationale for having government set capital standards for banks (5)

3 "In South Africa, Treasury Bills (TBs) are regarded as important money market instruments " Defend this statement by referring to the purpose of TBs, and their advantages and disadvantages for investors (7)

- 4 Cash is the most liquid asset. However banks keep cash holdings as low as possible. Explain why. (3)

SECTION B
20 marks

- 1 Suppose ASA bank records R4 billion in interest revenues from its loans and R2.6 billion in interest expenses are paid out to attract borrowed funds. If ASA holds R40 billion in earning assets, what is its net interest margin (NIM)? Suppose the bank's revenues and interest costs double, while its earning assets increase by 50 per cent, what will happen to its NIM? (5)

[Turn over]

- 2 A bank expects in the week about to begin R30 million in incoming deposits, R20 million in deposit withdrawals, R15 million in revenues from the sale of non-deposit services, R25 million in customer loan repayments, R5 million in sales of bank assets, R45 million in money market borrowings, R60 million in acceptable loan requests, R10 million in repayments of bank borrowings, R5 million in cash outflows to cover other operating expenses, and R10 million in dividend payments to its shareholders. Calculate this bank's net liquidity position for the week. Please show your calculations. (5)

[Turn over]

- 3a) FRB reports interest-sensitive assets of R870 million and interest-sensitive liabilities of R625 million for the coming month Is the bank asset sensitive or liability sensitive? (1)
- 3b) Explain the concept Interest Sensitive Ratio (ISR) Calculate the ISR for FRB in the above example (4)
- 3c) Evaluate and comment on the following statement, "interest sensitive gap management does not consider the impact of changing interest rates on the net worth of the bank" (3)

4. Explain the concept of “non-price competition” in the banking sector (2)

SECTION C

30 marks

- 1 Some dealers have been successful in dealing speculatively, but many more have lost vast sums of money because markets have turned against them or they have dealt in unauthorised instruments of which they had limited knowledge and experience Explain an example of how and when this happened (5)

