UNISA university of south africa

BAN2602

OCTOBER/NOVEMBER 2017

BANKING: INTRODUCTION TO TREASURY MANAGEMENT

STUDENT NUMBER

IDENTITY NUMBER

FOR USE BY EXAMINATION INVIGILATOR

BANKING Introduction to Treasury Management

Subject

Number of paper

Date of examination

Examination centre

Question No	Marks					
	Examiners					
	1		2		3	
Q1						
Q2						
Q3						
Q4						
Q5						
Q6						
Q7						
Total						

BAN2602

October/November 2017

Banking : Introduction To Treasury Management

Duration   2 Hours

70   Marks

EXAMINERS
FIRST   MS R DU RANDT
SECOND   MR K DE JENGA

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

This paper consists of 10 pages.

Answer all 7 questions on the examination paper in the space provided.

Show all calculations.

TURN OVER

Question 1   [15]

(a) The Tshwane Bank has incoming deposits of R2 500, revenues from non-deposit services of R200, customer loan repayments of R1 200, the sale of assets of R500 and borrowings from the money market of R3 000

At the same time, they had deposit withdrawals of R1 800, acceptable loan requests of R1 400, repayments of borrowings for the bank of R800 and other operating expenses of R400 Calculate the net liquidity position of this bank   (6)

(b) The Tshwane Bank currently has net interest margin (NIM) of 3% [(R63 million – R42 million/ R700 million = 3%] If revenues and expenses double while earning assets increase by 100%, calculate the new NIM   (3)

(c) Explain the ultimate goal of treasury management and provide four examples of the activities that are part of treasury management (6)

Question 2 [10]

(a) Define and explain the concept financial derivative (3)
(b) Define a Credit Default Swop (CDS) and provide the reason why a Treasury Manager will use such an instrument (3)
(c) What are the sources of credit risks for banks? (4)

(a)

(b)

(c)

Question 3 [20]

(a) Explain the trade-offs banks face when they consider holding high-yield securities (6)

(b) Banks offer a wide variety of business loans Explain why banks try to seek a balance between short-term and long-term loans in their loan portfolio What are the advantages and disadvantages of offering short-term loans versus long-term loans? (6)

(c) A treasury bill currently sells for R9 845, has a face value of R10 000 and has 46 days to maturity Calculate the bank discount rate on this security (3)

(d) In each of the scenarios below, state whether the Rand exchange rate is likely to appreciate or depreciate Fill in your choice in the space provided (4)

A   Inflation increases

B   Unemployment decreases

C   Money supply increases far above target ranges

D   The balance of payments worsens

(e) When all risk measures fails, what is the ultimate defense against risk in banking? (1)

Question 4 [10]

Describe the principal reasons why banks are normally subject to strict regulation and provide the five (5) fundamental objectives of bank regulation (10)

Question 5 [6]

The effectiveness of the international monetary system can be evaluated in terms of its capacity to meet three essential criteria, one of which is the liquidity in the system

(a) Explain the concept of liquidity in the international financial market (2)
(b) Describe the balance of payments of a country (3)
(c) Name two assets that are normally included in the foreign reserve assets of a country (1)

(a)

(b)

(c)

Question 6   [4]

Consider the following example of a bond

Principal	R1 000 000
Coupon rate	10% annually
Coupon payment date	30 September
Issue date	1 October 2008
Maturity date	30 September 2016

(a)   Calculate the annual income on the bond
(b)   Calculate the running yield if the bond is bought at R1 080 000
(c)   Calculate the Yield to Maturity (YTM)
(d)   How does the YTM differ from the running yield?

(a)
(b)
(c)
(d)

Question 7   [5]

How can the yield curve help a treasury manager choose which securities to acquire or sell?

TURN OVER

End of examination paper

TOTAL MARKS: 70