



**SCHOOL OF LAW AND BUSINESS SCIENCES
DEPARTMENT OF ECONOMICS AND FINANCE**

BACHELOR OF COMMERCE

PART 4 SEMESTER 2

COURSE

**TREASURY MANAGEMENT &
CONTEMPORARY ISSUES IN FINANCE**

CODE

HBF4210

DATE

DURATION

3 HOURS

GREAT ZIMBABWE UNIVERSITY
RECEIVED

NOV 2024

INSTRUCTION TO CANDIDATES

EXAMINATIONS OFFICE

1. THE PAPER COMPRISES 5 QUESTIONS.
2. YOU ARE REQUIRED TO ANSWER ANY FOUR QUESTIONS.
3. BEGIN THE ANSWER TO EACH QUESTION ON A FRESH PAGE OF THE ANSWER BOOKLET.
4. NON-PROGRAMMABLE SCIENTIFIC CALCULATORS ARE ALLOWED INTO THE EXAMINATION.
5. CANDIDATES WILL OBTAIN CREDIT FOR SHOWING ALL WORKINGS.

QUESTION 1

- a) Discuss the primary roles and responsibilities of a bank's treasury function, highlighting how it supports its overall financial stability and operational efficiency. [10 marks]
- b) In light of recent financial scandals, how would you argue that the importance of segregating duties in treasury functions is more relevant today, despite the existence of advanced monitoring and fraud detection systems? [6 marks]
- c) How do the roles and responsibilities of the front office differ from those of the back office within a bank's treasury department, and why is this distinction important? [9 marks]

[TOTAL 25 MARKS]

QUESTION 2

- a) On 1 January 2022, you opened a 2-year savings account at CBZ Bank with an initial deposit of \$1000, earning an annual interest rate of 8%.
- How much interest income did you earn from this investment? [3 marks]
 - What is the total maturity value of your investment after 2 years? [3 marks]
 - If you had redeemed the investment after 1 year and reinvested the proceeds at 9%, what would have been your reinvestment gain? [4 marks]
- b) Suppose Mr. Kurebwa, the risk manager at BK Inc., receives a report that the firm's daily value-at-risk at the 1 percent level is US\$4.5 million. What does this number mean and what should the firm do to reduce the firm's VaR? [5 marks]
- c) Find the value at risk (VaR) for a portfolio with a mean of ZWL10 000 and standard deviation of ZWL3 000. The confidence level is 99% ($\alpha = 2.33$). [5 marks]
- d) A bank is facing a surge in deposit withdrawals driven by rumors about its financial stability. What strategies should the bank implement to effectively manage the situation, restore customer confidence, and maintain liquidity? [5 marks]

[TOTAL 25 MARKS]

QUESTION 3

- a) Given the following cash flow forecast for a bank:
- January: Inflows = \$500,000, Outflows = \$400,000
 - February: Inflows = \$450,000, Outflows = \$420,000
 - March: Inflows = \$480,000, Outflows = \$410,000
- Analyze the bank's projected liquidity position over the three months as follows:
- Calculate the net cash flow for each month. [3 marks]
 - Calculate the average monthly net cash flow. [3 marks]
 - Interpret whether this indicates a surplus or deficit on average, and discuss potential implications for the bank's liquidity management. [4 marks]
- a) What are the major challenges and critical considerations in optimizing liquidity within a bank's treasury function, and how do these factors affect the bank's risk management, regulatory compliance, and operational efficiency? [15 marks]

[TOTAL 25 MARKS]

QUESTION 4

- a) AFC Corporation plans to finance its working capital needs by issuing a Promissory note with a face value of \$250,000 at a discount rate of 6.5%. The note has a maturity period of 180 days. Calculate:
- i. The interest cost incurred by AFC Corporation on the Promissory note. [3 marks]
 - ii. The issue price of the note . [3 marks]
 - iii. If the note was sold in the secondary market on day 120, determine the yield for both the buyer and the seller. [6 marks]
- b) Tinashe purchased a \$10,000 NCD with a 180-day tenor on 30 September 2023 and sold it to Onias 60 days later. Onias then sold the NCD to Lynate with 90 days remaining to maturity. The 180-day NCD had a coupon rate of 6.5%, and the following market yields were available:
- 8% for the first 60 days
 - 7.5% for the remainder of the time.
- Calculate the purchase price of the NCD for both Tinashe and Lynate. [10 marks]
- c) What are the key characteristics of a Treasury bill that distinguishes it from other money market securities? [3 marks]

[TOTAL 25 MARKS]

QUESTION 5

- a) Discuss the impact of fintech on traditional banking services. [15 marks]
- b) Discuss how the rise of decentralized finance (DeFi) could disrupt traditional banking systems. In your response, explore the potential regulatory challenges that might emerge as DeFi platforms gain traction, and consider the implications for financial stability, consumer protection, and the role of central banks. [10 marks]

[TOTAL 25 MARKS]

~ END OF EXAMINATION ~