

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

**BSc HONOURS DEGREE IN MANAGEMENT AND ENTREPRENEURIAL
DEVELOPMENT STUDIES SPECIALISING IN BANKING AND FINANCE**

MAIN PAPER

FB321: TREASURY MANAGEMENT

INTAKE 23: THIRD YEAR SECOND SEMESTER

DATE: TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer any **three** questions.

Question 1

Discuss the objectives and importance of a sound Assets and Liabilities Management (ALM) function in a Bank. [25]

Question 2

With reference to Bonds explain the following terms:

Nominal value, Issue Price, Market Price, Callability, Puttability, Coupon, Coupon Date, Indentures, Covenants, Maturity date, Convertible bond, Bearer bond and Treasury bond [25]

Question 3

Explain in detail the following risk measurement techniques

- i. Liquidity Gap Analysis [5]
- ii. Interest Rate Gap Analysis [5]
- iii. Simulation [5]
- iv. Duration Analysis [5]
- v. Value At Risk Method (VaR) [5]

Question 4

Explain the benefits of a good cash management system in an organization and how it contributes to increased shareholder value or wealth. [25]

Question 5

- a. The German Company wishes to buy GBP 7,500,000 one month forward and is quoted

Spot EUR/GBP	0.6358 - 0.6369
One month points	<u>12</u> - <u>14</u>
One month forward	0.6370 - 0.6383

How many Euros will The German Company have to give to get GBP 7,500,000? [5]

- a. A US company is receiving Euro 10 000 000 in three months' time that it wishes to sell forward. The bank quotes the following

Spot EUR/USD	0.8686 - 0.8690
Three month Points	33 30

How many USD will the company receive in three months' time? [5]

- b. Explain the different types of foreign exchange risk exposures and how they can be managed. [15]

Question 6

Reproduced below is an extract of PRI Ltd's balance sheet for the year ending December 2019, together with some selected data from the Income Statement.

Income Statement		Balance Sheet	
	\$		\$
		Current Assets	
Turn Over	82,659,286	Inventory	13,776,000
Cost of Sales	<u>66,780,908</u>	Receivables	15,173,074
Gross Profit	15,878,378	Short term investment	7,806,138
Net Op Exps	<u>4,465,700</u>	Cash at hand and in Bank	<u>15,692,335</u>
Operating Profit	11,412,678	Total current assets	52,447,547
Net Int Payable	<u>2,070,555</u>	Current Liabilities	
	9,342,123	Borrowings	23,709,618
Tax	<u>2,817,535</u>	Payables	<u>6,037,725</u>
Profit after Tax	6,524,588	Total current liabilities	29,747,343
Dividends	<u>2,219,890</u>		
Ret Earnings	4,394,698		

- a. Calculate the length of the operating cycle [5]
 b. Calculate the length of the cash conversion cycle [5]
 c. Differentiate between the operating cycle and the cash conversion cycle [5]
 d. Discuss the different ways in which a corporate treasury function can speed up the collection of receivables from customers. [10]

END