

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BANKING AND FINANCE**  
**INTERNATIONAL BANKING (BS239)/ (BS442)**  
**FINAL EXAMINATION**  
**DURATION: THREE HOURS**

MAR 2024

**INSTRUCTIONS TO CANDIDATES**

- a) Answer **question one** and **any three** questions.
  - b) Start the answer to each question on a fresh page in the answer sheet provided.
  - c) All calculations to be presented in good style and all workings should be shown.
  - d) Questions may be written in any order, but must be numbered accurately and legibly.
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**QUESTION ONE**

- a) Using clear examples, critically evaluate the roles played by financial markets. **(10)**
- b) Briefly explain the roles played by the following participants in the foreign exchange market:
  - i. Customers
  - ii. Commercial banks
  - iii. Other financial institutions
  - iv. Brokers
  - v. Central banks**(10)**
- c) Distinguish between direct and indirect exchange rate quotation system. **(3)**
- d) State the differences between the spot and forward transaction. **(2)**

**[25 Marks]**

**QUESTION TWO**

- a. Consider the following spot forward exchange rates quoted between (ZWD/USD)

Spot	1.7800- 1.7860
One month	15-20
Three months	20-35
Six months	30-35

- What are the one, three and six month outright rates? (9)
- b. With the aid of clear examples, explain possible risks encountered in forward market (10)
- c. Distinguish between forward premium and forward discount. (6)
- [25 marks]**

### QUESTION THREE

- a) Using appropriate examples differentiate the following
- i. The bid and ask price (4)
  - ii. Forward and spot rate (4)
  - iii. Long and short position (4)
- b) Assess the role of regulation in international banking. (13)

**[25 Marks]**

### QUESTION FOUR

Eurobanks are considered efficient unlike the domestic banks. With reference to any Euro bank you are familiar with, explain the following:

- i. Identify and explain the reasons behind the growth of the Eurobanks (10)
- a) 'Interest determination in the Eurocurrency market is closer to being a free market than the domestic money market.' Discuss this statement highlighting how interest rates are determined in both markets. (6)
- b) Using examples explain strategies available to banks intending to go international. (9)

**[25 marks]**

### QUESTION FIVE

With reference to International Bank for Reconstruction and Development (IBRD) or the World Bank, critically examine the effectiveness of international trade agencies in meeting their goals. (25)

### QUESTION SIX

Consider a hypothetical futures contract in which the current price is \$212. The initial margin requirements is \$10 and the maintenance margin is \$8. You go long 20 contracts and meet all margin calls. But you did not withdraw any excess margin.

- a) When could there be a margin call? (3)
- b) Complete the table 2 below and explain any funds deposited. Assume that the contract is purchased at the settlement price of that day so that there is no mark-to-market profit or loss on the day of purchase. (20)

Table 2

Day	Begging balance	Funds deposited	Futures price	Price change	Gain/Loss	Ending balance
0			212			
1			211			
2			214			
3			209			
4			210			
5			204			
6			202			

- c) How much are your gains and losses by the end of day 6 (2)
- [25 marks]