



ZIMBABWE EZEKIEL GUTI UNIVERSITY

COLLEGE FOR LIFELONG LEARNING

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DIPLOMA IN BANKING AND FINANCE

EXAMINATION PAPER

COURSE CODE : DBF125
COURSE TITLE : TREASURY MANAGEMENT
SPECIAL REQUIREMENTS : NONE
DURATION : 2 HOURS
LEVEL : 1:2
DATE : 11 JUN 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer **ALL** questions in both Section A and Section B.
4. Begin each question on a new page in Section B.
5. The number of marks for each question or part question is shown in brackets []

Question 1

- a) Zimbabwe introduced the Zimbabwe Gold (ZWG) in April 2024 as a panacea for the currency crisis associated with the Zimbabwe dollar or Bond Notes as it was initially known.
- i) What were the challenges associated with the Zimbabwe Dollar or Bond Notes which lead to Authorities to change the currency (5 marks)
- ii) Although the ZWG seems to have worked well in the early stages the currency crisis has surfaced again. What are the causes of the current currency challenges in a multicurrency economy? (10 marks)
- iii) Explain the remedies available to resolve the current currency challenges from a Treasurer's perspective (10 marks)
- b) i) What is the difference between a cash flow and interest rate gap. (5 marks)
- ii) Explain your rationale for assumptions on Fixed & Other Assets and the Shareholder Equity & Other Liabilities on the gap analysis (5 marks)
- iii) What is the advantage of time deposits over demand deposits (5 marks)
- c) Refer to the extract from the Ministry of Finance, Economic Development and Investment Promotion Treasury Quarterly Bulletin January – March 2024 June 2024. Para 76 "The financial account swung to a net lending position in the period from January to March 2024. This indicates that more funds were flowing out of the country than flowing in, due to both debt and non-debt creating flows. The lack of major loan disbursements and reduced foreign direct investment (FDI) resulted in total outflows exceeding total inflows."
- i) Define Foreign Direct Investment (FDI) (5 marks)
- ii).How will FDI improve the country's competitiveness on the Global market? (5 marks)
- [Total 50 marks]

QUESTION 2

Read the case study below and answer the questions that follow.

CASE: XYZ Bank of Zimbabwe Limited

You have just been appointed as Head of Treasury of XYZ Bank, which is a registered commercial bank in Zimbabwe. As part of your induction and familiarisation you undertook a detailed review of various operations and systems within the Treasury function. The findings of this review are highlighted hereunder.

A Senior Dealer who reports directly to the Back Office Operations Manager currently heads the trading room. The dealing room has a complement of three [3] dealers each dealing with a specific desk namely Money market, Foreign exchange and Derivatives. In addition, an officer aggregates and monitors the overall position of the bank and completes the staff complement of the dealing room.

The bank currently uses a manual system for handling deals executed. After the conclusion of a money market deal, the dealer completes a deal ticket which is checked by the Senior Dealer. The Senior dealer passes the checked deal ticket to the Back Office department. Back office checks the deal ticket for correctness and then captures it into the TASMAN system. A confirmation is then generated, and a copy sent to the correspondent bank. Only one officer has access to the TASMAN and is involved as both an Inputter and Authoriser.

Your review of the bank's loan book noted that there are a number of overdue counterparties who are yet to settle their obligations. A number of borrowers have accounts, which are overdue for periods of up to 180 days. There is no system for following up and monitoring these overdue accounts. The funds tied up in the non-performing loans have been affecting the bank's ability to pay for its own obligations.

Further, deposits coming to the bank have been declining further affecting its liquidity position.

Interest rates have been on an upward trend. The bank holds a positive interest sensitive book, and it is expected to profit from the rising interest rates.

On the foreign exchange desk, the bank has a number of open foreign currency positions in Rands, Pound Sterling and USD. The currencies have been exhibiting large volatilities in the past two months affecting the currency earnings of the bank. On the foreign currency and exchange control side, the Reserve Bank has issued three

exchange control circulars which the bank has yet complied with. The Reserve Bank has since issued a warning of pending sanction or penalties for non-compliance. The Derivatives desk is not that active. However, there are a few transactions covering Interest Rate Swaps and Forward Exchange Rates which the desk has Under-taken in the last six months.

REQUIRED;

From the case study above identify any five risks faced by XYZ Bank's Treasury department.

- a. Describe the nature of each risk as well as how it affects both the bank's earnings (profits) and capital. **(10 marks)**
- b. What do you understand by the term ALM [Asset and Liability Management]? **(5 marks)**
- c. An Asset and Liability Committee is an important committee in a bank's asset and liability management processes. Describe the composition, roles and responsibilities of an ALCO committee. **(10 marks)**
- d. Discuss any three elements of the Country Risk Management Process that a multinational corporation uses to systematically evaluate country risk elements of its business **(10 marks)**
- e. Explain the Bankers' acceptance and how it works **(5 marks)**
- f. Discuss any three elements of the Country Risk Management Process that a multinational corporation uses to systematically evaluate country risk elements of its business **(10 marks)**

[Total 50 marks]

END OF EXAMINATION PAPER

1/0 pm