



**ZCAS University**

**MASTER of FINANCIAL SERVICES  
BBF5112 RETAIL FINANCIAL SERVICES**

**TEST**

**26<sup>TH</sup> OCTOBER 2023**

**TIME ALLOWED: THREE HOURS (plus 5 minutes to read through the paper)**

**INSTRUCTIONS:**

1. Section A: Question One in Section A is **compulsory**.
2. Sections B: Answer Two (2) questions from this section.
3. This examination paper carries a total of **100 marks**.
4. Candidates must **not turn this page** until the invigilator tells them to do so.

**SECTION A: Question 1 is compulsory and must be attempted**

**Question 1**

A collective investment scheme is an arrangement or entity which collects and pools funds from the public or a section of the public for the purpose of investment in the interest of each investor represented by their proportional ownership in the pool. Imagine Mpile Scheme has K500 million of investments, based on the day's closing prices for each individual asset. It also has K12 million of cash and cash equivalents on hand, as well K4 million in total receivables. Accrued income for the day is K75, 000. The fund has K13 million in short-term liabilities and K2 million in long-term liabilities. Accrued expenses for the day are K10, 000. The fund has 5 million shares outstanding.

- a) Compute the Net Asset Value (NAV)

**(30 marks)**

- b) Discuss the role of an investment bank in wealth creation in an economy where interest rates on fixed deposits are generally low

**(10 marks)**

- c) One of the functions of an underwriter in capital formation is conducting an Initial Public Offer (IPO) after successfully launching the prospectus. Discuss two possible scenarios that may arise from an IPO and how they can be dealt with in order to ensure the issue raises the required amount on the stock market

**(10 marks)**

**(Total: 50 marks)**

**SECTION B: Attempt any TWO questions in this section**

**Question 2**

Lean Six Sigma (LSS) and (Total Quality Management) TQM improve function of financial institutions by streamlining their operations. Discuss the two quality management methods and recommend what would best suit the Zambian financial sector context

**(25 marks)**

### **Question 3**

According to the Basel I provisions, core capital is composed primarily of disclosed reserves (also known as retained earnings) and common stock. It can also include noncumulative, nonredeemable preferred stock. Under the Basel Committee on Banking Supervision, which issued the Basel Accord, it was observed that banks utilize inventive instruments to accumulate Tier 1 capital as well. However, such instruments must adhere to strict conditions. Capital acquired through these instruments can only account for 15% of the bank's total Tier 1 capital.

Discuss how the Basel I provisions have helped to stabilise and strengthen banks which has led to reduced number of bank failures and closures

**(25 marks)**

### **Question 4**

The performance of any bank is measured basing upon different parameters. Discuss any five performance measurements:

- a) Capital adequacy Ratio **(5 marks)**
- b) Liquidity **(5 marks)**
- c) Profit per employees **(5 marks)**
- d) Systems and procedures **(5 marks)**
- e) Management **(5 marks)**

**(Total 25 marks)**

**END OF EXAMINATION**