<table>
<thead>
<tr>
<th>KOD KURSUS</th>
<th>PW6023 CAPITAL MARKET &amp; TRESURY MANAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARIKH</td>
<td>14 MARCH 1999</td>
</tr>
<tr>
<td>MASA</td>
<td>9.00 A.M. – 12.00 NOON</td>
</tr>
<tr>
<td>TEMPAT</td>
<td>HOTEL SERI MALAYSIA</td>
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</tbody>
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<thead>
<tr>
<th>ARAHAN</th>
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<tbody>
<tr>
<td>1. Attempt any FIVE (5) questions.</td>
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<tr>
<td>2. Write answers in the space provided below the questions.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>NO. MATRIK</th>
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<tbody>
<tr>
<td>NO. KAD PENGENALAN</td>
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<tr>
<td>NAMA PENSYARAH</td>
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| JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN |
MBA

CAPITAL MARKET AND TREASURY MANAGEMENT

Attempt any Five questions

Question : 1 [20 marks]

(a) Discuss the functions of a Treasury Manager. [10 marks]
(b) Explain the structure and working of a Dealing Room. [10 marks]
Question: 2 [20 marks]

(a) What are the major sources of raising funds available to a company? [8 marks]
(b) Discuss the structure of securities market. [12 marks]
Question : 3 [20 marks]

(a) What are the major problems of new issue market? [10 marks]
(b) What is OTC market? [5 marks]

(c) Explain briefly why is the growth of capital market a prerequisite for economic growth of a country. [5 marks]
Question: 4 [20 marks]

(a) What is a derivative? Who are the key players in all Derivative Markets? Explain their working.

[8 marks]
(b) Explain and illustrate the derivative products:

(i) Coupon and Basic Interest Rate Swaps.

(ii) Fixed/fixed Currency Swaps and Cross-Currency Rate Swap.

(iii) Commodity Swaps. [12 marks]
Question: 5 [20 marks]

(a) What is an option? [6 marks]
(b) Explain the difference between option on a future versus future on an option.

[6 marks]
(c) What is a mortgage? How does it differ from other capital market instruments? [8 marks]
Question: 6 [20 marks]

(a) Explain the advantages which futures have over Forwards. What role does the Exchange perform? [6 marks]
(b) Is KLSE efficient? [6 marks]
(c) Trace the genesis of Derivative markets [8 marks]
Question: 7 [20 marks]

(a) What are Swaps?
   Why trade Swaps?

[5 marks]
(b) In the case of bank deposit of one million Singapore dollar (S$), measure the forex currency exposure, when exchange rate moves unexpectedly from RM1.50/S$ to RM1.70/S$. Assume zero random errors.

[5 marks]
(c) Habib Jewellers usual operations in January 1998 had the following records:

<table>
<thead>
<tr>
<th>Foreign Currency</th>
<th>Value</th>
<th>Day to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. JPY Payable</td>
<td>3,000,000</td>
<td>90</td>
</tr>
<tr>
<td>2. USD Receivable</td>
<td>120,000,000</td>
<td>60</td>
</tr>
<tr>
<td>3. USD Interest payable</td>
<td>50,000</td>
<td>180</td>
</tr>
<tr>
<td>4. USD Payable</td>
<td>200,000</td>
<td>60</td>
</tr>
<tr>
<td>5. USD Purchased forward</td>
<td>300,000</td>
<td>60</td>
</tr>
<tr>
<td>6. JPY Purchased forward</td>
<td>1,000,000</td>
<td>90</td>
</tr>
<tr>
<td>7. USD Loan installment due</td>
<td>250,000</td>
<td>60</td>
</tr>
</tbody>
</table>

(i) Work out the firm’s net exposure in US dollar at 60 days and Japanese Yen at 90 days. [7 marks]
(ii) Suggest the mode of hedging. [3 marks]
MBA : SUNGAI PETANI

Question : 8 [20 marks]

(a) Why are forward spreads on less-traded currencies large than on heavily traded currencies?

[5 marks]
(b) Compute the outright forward quotations from the following swap quotations of US dollar in Malaysian Ringgit terms:

Spot : 3.8031

30 – Day Swap : 5 – 6

90 – Day Swap : 7 – 10

Show the spread margin in each case.

[5 marks]
(c) Interest rates in RM is 9 percent and S$ 7 percent. Spot rate is 1 RM = 0.62 S$. Work out 12 month forward exchange rate on the basis of interest parity norm.

[5 marks]
(d) On the basis of interest parity relationship, determine the six months forward exchange rate for the US dollar in terms of Thai Baht, given the following facts:

Spot Rate: 1 USD = 40 Baht

Risk-free interest rate in Thailand is 15 percent whereas that of the USA is 9 percent.

[5 marks]