



FINAL EXAMINATION
NOVEMBER 2023

COURSE TITLE	MONEY BANKING AND FINANCIAL MARKETS
COURSE CODE	TECO4533
DATE/DAY	25 FEBRUARY 2024 / SUNDAY
TIME/DURATION	09:00 AM - 11:00 AM / 02 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of **3** Printed Pages including front page)

*****DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO*****

This question paper consists of **THREE (3)** questions only. Answer **ALL** questions in the answer booklet provided. **[100 MARKS]**

QUESTION 1

(50 Marks)

**Navigating Global Supply Chain Dynamics:
A Case Study of ABC Tech Solutions in Managing Exchange Rate Risks**

In the era of globalization, companies often grapple with the task of mitigating currency exchange risks in their international supply chains. This particular scenario focuses on ABC Tech Solutions, a German-based technology manufacturing firm, and its endeavors to navigate the intricacies of exchange rate risk while ensuring an efficient global supply chain.

ABC Tech Solutions specializes in manufacturing tech gadgets, ranging from smart home devices to virtual reality headsets. To optimize production costs, the company sources crucial components, such as processors and screens, from suppliers around the world. One of its key suppliers is InnovateTech Parts, based in Japan.

Confronted with the challenge of exchange rate risk, ABC Tech Solutions entered into a contract with InnovateTech Parts in 2023 to secure 10,000 units of processors. The agreement specified a cost of €4.5 million, payable in Japanese Yen (JPY). This amount was determined based on the prevailing spot rate of 1 EUR to 130.50 JPY. However, with a three-month interval between contract signing and payment, the potential impact of exchange rate fluctuations on the final processor cost was a significant concern.

Essentially, ABC Tech Solutions acknowledged that effectively managing exchange rate risk extended beyond financial aspects alone. The company recognized the importance of cultivating strong ties with suppliers like InnovateTech Parts. While diversifying suppliers could help mitigate risk, it also had the potential to impact the established rapport over time, influencing delivery reliability and product quality.

- a) Based on the case above, which contracting parties would be exposed to exchange rate risk exposure? And why? (8 marks)
- b) Calculate the price of the sales contract that needs to be paid by ABC Tech Solutions to InnovateTech in Japanese Yen currency denomination. (10 marks)
- c) Assuming three months later, the spot rate recorded is 1 EUR per 141.50 JPY. Calculate the size of the gain or loss and discuss the impact on ABC Tech Solutions. (16 marks)
- d) As a financial consultant for ABC Tech Solutions, provide **TWO (2)** solutions to mitigate the exchange rate risk exposure for ABC Tech Solutions. (16 marks)

QUESTION 2

(30 Marks)

You are a financial analyst preparing a report for a seminar on the functions and operations of the Central Bank of Malaysia. Your report aims to provide a comprehensive understanding of the structure, functions, instruments, and goals of the central bank. As part of your preparation, address the following questions:

- a) Explain the primary functions of the Central Bank in contributing towards the overall stability and development of the Malaysian economy. (18 marks)
- b) Identify the primary targets of the Central Bank of Malaysia. (12 marks)

QUESTION 3

(20 Marks)

In the strategic utilization of acquired funds through the issuance of liabilities, a financial institution allocates resources toward the acquisition of income-generating assets. In this context, assets within a bank's balance sheet are inherently recognized as uses of funds.

Discuss **FIVE (5)** distinct classifications pertaining to the composition of assets in a bank's balance sheet.

*** END OF QUESTION PAPER ***

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