ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BANKING AND FINANCE

MODULE: Principles of Banking and Finance **PAPER NO:** 524/15/S01

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

Non – programmable scientific calculator

INSTRUCTIONS TO CANDIDATE

Answer any five (5) questions.

QUESTION 1

a) Explain the concept of the gold standard as used in Banking. (5 marks)

b) Discuss any three (3) ways which can be used to control the supply of money in an economy. (15 marks)

QUESTION 2

a) Discuss the relationship between money, prices and production in an economy. (10 marks)

b) Determine the amount of credit created in an economy for an initial deposit of $100 000 and a reserve requirement of 20%. (4 marks)

c) Discuss M_1 and M_2 measurements of money supply in an economy. (6 marks)

QUESTION 3

Discuss any five (5) roles of financial intermediaries in facilitating business growth. (20 marks)

QUESTION 4

a) Distinguish between a bond and a share as capital market instruments. (10 marks)

b) Identify and explain the roles of any five (5) money market participants. (10 marks)

QUESTION 5

a) A 180 day Treasury bill has a face value of $5 000 and a discount rate of 4%. Calculate the purchase price of the Treasury bill. (5 marks)

b) A company is considering the following projects:

	Project A	**Project B**
Initial investment	(50 000)	(50 000)
Year 1	15 000	15 000
Year 2	20 000	25 000
Year 3	25 000	30 000
Year 4	10 000	15 000

Given that the required rate of return is 10%, using the Net Present value method of investment appraisal which project should the company choose?
(15 marks)

QUESTION 6

Define the following terms as they are used in Principles of Banking:

a) Seignorage (4 marks)

b) Moral suasion (4 marks)

c) Banker's acceptance (4 marks)

d) Commodity money (4 marks)

e) Monetary policy (4 marks)

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