

EXAMINATION

Course code: SFB 13102	Course: Global Markets and Institutions
Date: 25.11.2013	Duration from 09 a.m. to 01 p.m.
Permitted sources: Mother tongue – English and English – mother tongue dictionaries Calculator	Lecturer: Anders Jarlsby/Danuta Tomczak
<p>The examination: The examination papers consist of.. 2..pages inclusive this page. Please check that the examination papers are complete before you start answering the questions.</p> <p><i>Five questions must be answered. Questions 1, 2 and 3 must be answered by all students, from the following questions 4, 5, 6 and 7 two questions have to be answered.</i></p>	
<p>Date of announcement of the examination results: latest <u>20.12. 2013</u> The examination results will be made available on the Studentweb no later than two workdays after the announcement of the examination results (www.hiof.no/studentweb).</p>	

**Five questions must be answered. Each student should answer questions 1, 2 and 3, and so two questions of four by own choice: 4, 5, 6 or 7.
Please, make clear which questions you answer!**

Question 1

Explain what do we mean by the financial system and what services it provides.

Question 2

Assume that the interest rate is 10% and you are offered to place USD 600 at:

- a) a discount bond paying you USD 1000 in year 5. (one payment only)
- b) a fix payment loan in USD paying 150 USD per year in 5 years

What will you chose? Make calculations to explain why.

Question 3

Give an example of two financial institutions: one deposit-taking and one non-banking institution. Explain how do the institutions you have chosen acquire assets and manage risk.

Question 4

What does moral hazard mean in finance and how do you understand it? Give examples from two different sectors of the financial services industry.

Question 5

Assume that you apply for a position of financial analyst and you are asked to draft advantages and disadvantages of using the derivatives. You should explain how these products are priced, where they could be used, and what the risks and exposures are with each product:

- a) Futures
- b) Swaps
- c) Options

Make own additional assumptions if necessary.

Question 6

During the last years the virtual currency Bitcoin has been used more and more in consumer transactions. Please discuss the concept of Bitcoin as an alternative to institutionalized markets and established financial institutions. Will it survive?

Question 7

The power of financial institutions is enormous. Is it possible to control them? Which steps are taken to reduce conflicts of interest in the financial industry?

Please, remember that your handwriting should be readable!

Good luck!