

EXAMINATION

Course code: SFB13102	Course: Global Markets and Institutions	
Date: 26.05.2014	Duration from 09 a.m. to 01 p.m.	
Permitted sources: Mother tongue – English and English – mother tongue dictionaries Calculator		Lecturer: Danuta Tomczak/Anders Jarlsby
<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>All questions must be answered.</i></p>		
Date of announcement of the examination results: latest 19.06.2014		
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).		

All questions should be answered. Make clear which part of question 5 you answer.

Question 1

Explain what constitutes a financial system and which services the system provides.

Question 2

Assume that the interest rate is 10% and you are offered to place USD 500 at:

- a) a discount bond paying USD 1100 in year 5. (one payment only)
- b) a fix payment bond in USD paying 100 USD per year in 5 years

What will you chose? Make calculations to explain the result.

Question 3

Give an example of two financial institutions: one deposit-taking and one non-banking institution and explain what challenges these institutions meet to acquire assets.

Question 4

Five years ago, a company paid 5 NOK in stock dividend. Dividend has since grown at a steady rate and the last dividend payment was 6.38 NOK. Cost of equity is 10 %. What is the current stock price?

Question 5 - choose only one option to answer: A or B!

- A) Explain what is meant by Interest Rate Parity (IRP) in international finance. You may illustrate your explanation with relevant numerical example.
- B) To explain the financial crisis 2007 three reasons for the crisis are often pointed out:
 - home ownership promotion
 - subprime mortgages
 - securitization

Explain the connection between these three and their contribution to the expansion of the crisis.

Good luck!