ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BANKING AND FINANCE

MODULE: Foreign Exchange Management **PAPER NO: 524/23/M06**

DURATION: 3 Hours

NOVEMBER/DECEMBER 2025 EXAMINATION

REQUIREMENTS

Non- programmable scientific calculator.

INSTRUCTIONS TO CANDIDATE

1. Answer ANY FIVE (5) questions.
2. All questions carry equal marks.
3. Show all necessary workings.
4. Round off answers to 4d.ps and 2 d.ps for amounts.

QUESTION 1

(a) Explain how the Purchasing Power Parity theory is used to forecast exchange rates. (10 marks)

(b) Identify and briefly explain any five (5) documents used in international trade. (10 marks)

QUESTION 2

Discuss any four foreign exchange risks that are encountered by multinational corporations in their operations. (20 marks)

QUESTION 3

Explore any four (4) methods that can be used to control balance of payment disequilibrium. (20 marks)

QUESTION 4

Write short notes on the following terms:-

(a) Close out. (5 marks)

(b) Hedging. (5 marks)

(c) Bureaux de change. (5 marks)

(d) Forward contract. (5 marks)

QUESTION 5

Discuss the implications of a flexible exchange rate regime on economic goals and polices. (20 marks)

QUESTION 6

(a) Outline and briefly explain the requirements for registering a bureau de change in Zimbabwe. (10 marks)

(b) You are given the following information about buying and selling rates from a major local bank.

	Buy	Sell
Norwegian kroner	11.9897	13.8711
Chinese Yuan	8.8948	10.9776
Egyptian Pounds	10.5447	13.2344

NB: Consider the local currency to be the ZiG.

(i) Identify the type of quote used. (1 mark)
(ii) Calculate the spread on the Egyptian Pounds. (2 marks)
(iii) Calculate the mid rate on the Kroner. (3 marks)

(iv) Calculate the amount you would lose / make if you convert ZiG1000 to Chinese Yuan and back to ZiG. (4 marks)

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