ASSOCIATESHIP EXAMINATIONS
TREASURY MANAGEMENT AND TRADE FINANCE
LEVEL III
APRIL 2025
[NEW SYLLABUS]

NB:

1. Read the instructions on the cover of the answer booklet carefully.

2. Answer the questions as follows:

   TREASURY MANAGEMENT - SECTION A
   PART I: TEN MULTIPLE CHOICE QUESTIONS (ANSWER ALL-10 MARKS)

   PART II: TWO CALCULATION/ESSAY QUESTIONS (ANSWER ONE - 20 MARKS)

   PART III: TWO CASE/SCENARIO BASED QUESTIONS (ANSWER ONE - 20 MARKS)

   TRADE FINANCE - SECTION B
   PART I: TEN MULTIPLE CHOICE QUESTIONS (ANSWER ALL-10 MARKS)

   PART II: TWO CALCULATION/ESSAY QUESTIONS (ANSWER ONE - 20 MARKS)

   PART III: TWO CASE/SCENARIO BASED QUESTIONS (ANSWER ONE - 20 MARKS)

3. Marks allotted are shown in brackets by the questions.

4. No aids such as mobile phones, electronic wristwatches, books, dictionaries, papers, mathematical sets are permitted in this examination.

5. **Time allowed: THREE HOURS**

6. **An additional 15 minutes of reading time is allowed** at the beginning of the examination during which time candidates may write on this paper but NOT in the examination booklet.

7. Candidates must ensure that they answer questions in the appropriate answer booklets and NOT on loose sheets which may be used only as supplementary sheets. Such answers will be cancelled.

8. DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.

9. DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.

SECTION A - TREASURY MANAGEMENT

PART I: MULTIPLE CHOICE QUESTIONS
ANSWER ALL QUESTIONS: 1 MARK FOR EACH QUESTION [TOTAL: 10 MARKS]

1. Which of the following best describes the markets for issuing Bonds and raising Long-Term Funds?

   A. Bond Markets
   B. Capital Markets
   C. Stock Markets
   D. Money Markets

2. Which of the following can be described as a Money Market Instrument?

   A. Eurobonds
   B. Government of Ghana Bonds
   C. Corporate Bonds
   D. Commercial Paper

3. What would be the maturity proceeds of a 3-month (91-day) Certificate of Deposit (CD) with a face value of GHS 1,000,000 and a Coupon Rate of 22 percent?

   A. 1,054,849.32
   B. 1,055,000.00
   C. 1,054,699.45
   D. 1,055,611.11

4. The nominal value of a 364-day Government of Ghana Treasury Note issued at a discount of 24.50% is GHS 800,000.00. Calculate the Maturity Value of this Note.

   A. 751,000.00
   B. 849,000.00
   C. 850,000.00
   D. 800,000.00

5. Which of the following best describes the role of the Middle Office in a Treasury setup?

   A. Monitoring cashflow and liquidity

B. Accounting and reconciliation
C. Monitoring market risk and credit risk
D. Confirmation and settlement

6. The following factors affect Spot Exchange Rates, except………………………………..

A. Interest Rates
B. Net Open Position
C. Inflation
D. Balance of Payments

7. Which one of the following is a Discount Instrument?

A. Certificate of Deposit
B. Corporate Bonds
C. Eurobonds
D. Zero-Coupon Bonds

8. When a company issues a Commercial Paper to raise funds directly from the public, it is engaged in…………………………………..

A. Direct Intermediation
B. Financial Intermediation
C. Non-Banking Transactions
D. Financial Disintermediation

9. A bank's Treasury adopts one of the following to manage Interest Rate Risk.

A. Avoiding long-term debt obligations
B. Maintaining a fixed interest rate on all borrowings
C. Investing in only fixed rate financial instruments
D. Using interest rate swaps and other derivatives

10. Which of the following is used by a bank's Treasury to manage Foreign Exchange Risk?

A. Avoiding cross-border transactions
B. Investing only in currencies with stable exchange rates
C. Conducting all transactions in the domestic currency
D. Using currency options to hedge against exchange rate fluctuations

PART 11: CALCULATIONS AND ESSAY QUESTIONS

ANSWER ONLY ONE QUESTION

QUESTION 1

a. A bank holds the following Assets in its Balance Sheet:

Asset	**Amount (GHS)**	**Risk Weight**
Government Securities	450,000,000	0%
Corporate Loans	550,000,000	100%
Residential Mortgages	380,000,000	50%
Commercial Real Estate Loans	400,000,000	100%
Cash and Equivalents	20,000,000	0%

If the bank has a total Regulatory Capital of GHS 450,000,000, calculate the bank's Capital Adequacy Ratio (CAR). [15 marks]

b. An Investor purchases a 91-day Treasury Bill with a face value of GHS 100,000.00 at a discount price of GHS 94,750.00. Calculate the Discount Rate (annualized on a 364-day basis). [5 marks]

[Total:20 marks]

QUESTION 2

a. Discuss in detail four (4) objectives of Asset and Liability Management (ALM) in a Financial Institution.

[16 marks]

b. A 12-month Certificate of Deposit (CD) is issued with an Annual Coupon Rate of 4.5 percent compounded quarterly. Calculate the **maturity value** for an investment of USD 100,000.00 in the 12 months CD. [4 marks]

[Total: 20 marks]

PART III: CASE/SCENARIO BASED QUESTIONS (ANSWER ONLY ONE QUESTION)

QUESTION 1

Synergy Bank, a leading International Financial Institution, has long been recognized for its robust Treasury Management Practices. However, in recent years, the rapid evolution of Financial Technologies, shifting regulatory landscapes, and increasing focus on Environmental, Social, and Governance (ESG) factors have spurred emerging trends in Treasury Management. Synergy Bank's Treasury Department is considering a comprehensive digital transformation to maintain its competitive edge and optimize operational efficiency. This transformation aims to integrate Advanced Data Analytics, Blockchain Technology, Cloud Computing, and Sustainability Metrics into its Treasury Operations.

Synergy Bank's Executive Management has mandated a strategic review of the Treasury Function in response to market pressures and evolving investor expectations. The primary objectives are to enhance Risk Management, improve Liquidity Management, and align Treasury Operations with broader Corporate Sustainability goals.

As the newly appointed Head of Treasury Innovation, you have been tasked with developing a strategic plan for adopting these emerging trends. Your role is to assess the benefits and challenges of these new technologies and approaches and propose a roadmap for their implementation in the Treasury Department.

REQUIRED:

a. Identify and discuss five (5) emerging trends in Treasury Management. [5 marks]

b. Examine how each of these five (5) trends contribute to enhancing operational efficiency within the Treasury Function? [15 marks]

[Total: 20 marks]

QUESTION 2

Greenfield Bank is a medium-sized financial institution operating in a dynamic and sometimes volatile economic environment. The bank has a diverse portfolio that includes Long-Term Fixed-Rate Loans and a significant portion of Short-Term Deposits as its primary funding source. Recently, market conditions have shifted: Interest Rates have been rising, and economic uncertainty has led to increased volatility in the Banking Sector. These changes have exposed Greenfield Bank to potential Liquidity Risk due to an

Asset-Liability Mismatch and to Interest Rate Risk that could negatively impact its Net Interest Income (NII).

Other potential sources of Liquidity Risk Greenfield Bank is likely to be exposed to include their Off-Balance Sheet Exposures, among others.

The bank's Asset-Liability Management (ALM) Team has performed a Gap Analysis and discovered that, in the short-term period (0-90 days), the bank has a Negative Gap. This indicates that a larger amount of the bank's Liabilities (e.g., Short-Term Deposits) are set to reprice compared to its Interest-Sensitive Assets. In the event of a further increase in Interest Rates, this Mismatch could lead to a reduction in NII. Additionally, Liquidity Stress Tests indicate that if a significant number of Short-Term Deposits were withdrawn simultaneously, Greenfield Bank might face a Liquidity shortfall.

In light of these challenges, Senior Management has tasked the Treasury and ALM Teams to review the bank's Liquidity and Interest Rate Risk Management Frameworks. The objective is to recommend strategies that will ensure robust Liquidity, safeguard against adverse Interest Rate Movements, and maintain Regulatory Compliance.

REQUIRED:

a. Examine five (5) sources of Liquidity Risk that Greenfield Bank is currently exposed to.

[10 marks]

b. Discuss how the bank's Gap Analysis reveals its exposure to Interest Rate Risk. [5 marks]

c. Explain how a Negative Gap in the short-term affects the Bank's Net Interest Income when Interest Rates rise. [5 marks]

[Total: 20 marks]

SECTION B - TRADE FINANCE

PART I: MULTIPLE CHOICE QUESTIONS
ANSWER ALL QUESTIONS: 1 MARK FOR EACH QUESTION [TOTAL: 10 MARKS]

1. Which of the following describes the collection of a Bill of Exchange without any other Commercial or Transport Documents?
   A. Clean Collection
   B. Documentary Collection

C. Exchange Collection
D. Promissory Collection

2. In an Open Account transaction, when should payment be made?
A. Always within 30 days of the invoice date.
B. In accordance with the contract.
C. On receipt of the goods.
D. When the goods are shipped.

3. With Open Account Trade, an exporter will submit…………………………………
A. his invoice directly to the Importer.
B. his invoice together with the other shipping documents under a Documentary Credit.
C. his invoice with other shipping documents to his bank and ask his bank to collect the payment on his behalf.
D. the invoice to the exporter's bank under a remittance schedule and ask the importers bank to collect payment on his behalf.

4. A Sales Contract specifies 'Ex Works'. This means that the exporter must make the goods available…………………………………..
A. at any port.
B. at the importer's premises.
C. for collection at their premises.
D. to a carrier.

5. Which of the following would provide finance for the exporter with recourse?
A. Discount against an Avalised Bill of Exchange.
B. Invoice finance with insurance.
C. Negotiation of a Bill of Exchange.
D. Pre-shipment Finance against a Confirmed Letter of Credit where all documents comply.

6. A Sight Bill of Exchange allows the exporter to receive reimbursement………………………….

A. following acceptance by the Importer.
B. when documents are presented by the Exporter.
C. when the Importer is presented with the Bill of Exchange.
D. when the Importer's bank receives the Bill of Exchange.

7. Which of the following statements is correct?
A. Delay in presenting a Bill of Exchange for payment removes liability from the Acceptor.
B. Once Acceptance has been given the Importer has no Liability for Payment.

C. Signature by the Acceptor does not indicate Legal Capacity to do so.
D. The Drawee has no Liability on a Bill until it is accepted.

8. For a bank to advance money to an Importer against the security of goods, which of the following conditions are essential? The importer has……………………………

A. a full set of original Bills of Lading.
B. a full set of original Bills of Lading and the Non-Negotiable copies.
C. a full set of original Bills of Lading consigned to a local Freight Forwarder.
D. a full set of original Bills of Lading marked **'consigned to order'**.

9. Under 'FAS Port of London' terms, which of the following most accurately describes the responsibilities of the Exporter? Package goods in a suitable manner…………………………
A. and complete Export and Customs Formalities.
B. complete Export and Customs Formalities and supply a Commercial Invoice.
C. complete Export and Customs Formalities, provide Insurance to cover the voyage and supply a Commercial Invoice.
D. complete Export and Customs Formalities, supply a Commercial Invoice and arrange seller's Interest Insurance.

10. Which of the following documents might form part of a claim under a Bank Guarantee?
A. A Bill of Lading.
B. A Notary's confirmation of the dishonour of a Bill.
C. A Packing List.
D. Certificate of Origin.

PART II: CALCULATIONS AND ESSAY QUESTIONS

ANSWER ONLY ONE QUESTION

QUESTION 1

Tenecee Ltd., a customer of your bank, is a sterling aircraft charter company operating mainly in the UK, Western Europe and Caribbean. It has been awarded a contract to provide Freight and Passenger Services for a number of remote islands in the Mid-Atlantic and the Caribbean.

The contract which is guaranteed by the Governments of the various territories, is to be signed on 1 June 2025. The value of the contract is US$1, 500,000, and it will be necessary for Tenecee Ltd to charter three (3) aircrafts at a total cost of US$900, 000. Payment and receipt terms are as follows:

Receipts by Tenecee Ltd

i. One third of the contract value, three months after signing the contract (guaranteed).
ii. One third of the contract value, six months after signing the contract (guaranteed).
iii. A third payment of up to one third of the contract value, twelve months after signing the contract.

Payments by Tenecee Ltd

i. One third upon signing the contract.
ii. One third six months after signing the contract.
iii. One third twelve months after signing the contract.

Additional Information

1. According to the contract, the third payment may be reduced if Tenecee Ltd generates extra business on their own account.
2. The full expected net receipts are sold forward on 1 June 2025 for delivery on 1 June 2026.
3. Ignore the possibility of any other Forward Contracts which might be arranged.
4. The contract is performed in its entirety except that when the third payment falls due on 1 June 2026, it is calculated that Tenecee Ltd has generated extra business on its own account which required a reduction in the contract payment from US$500,000 [NB: The "extra earnings" should be ignored for the purpose of this calculation in (a) below].
5. Any Commercial Risks, such as Chartering Risks, Credit Risks, etc., which may be included in the Commercial Contract, may be ignored.
6. Any charges or interest payable in connection with any overdraft or transfers may be ignored.

REQUIRED

a. A Statement of the Currency Account you would operate on behalf of Tenecee Ltd, including the calculation at the end showing the Total Sterling Proceeds which would be credited to Tenecee Ltd Account. [11 marks]
b. The Risks that Tenecee Ltd has to face in accepting the contract which is awarded to them. [4 marks]
c. The method that you would recommend to Tenecee Ltd in order to minimize the risk mentioned in (b). [5 marks]

[Total: 20 marks]

QUESTION 2

Your customer, Farm Technologies Limited, have exported its products to the South Seas and the Pacific Coast of the United States for many years. Recently, it reached an agreement with their buyers in the United States which enables them to draw bills so that they fall due for payment 120 days after the shipment date. The documents are collected through your office. Because of restricted Profit Margins over the past few months and a shortage of Working Capital, the customer calls to see you on 30 March to seek your advice on how best it can protect its Profit Margins on one immediate transaction and for future transactions. The bill amount specifically discussed is 100,000 US dollars, accepted by the buyer and falling due on 30 June. Past experience indicates that the buyer effects payment on the due date of the bills and so Farm Technologies Limited does not have to worry about being out of funds for any length of time.

Additional information available on 30th March is as follows:

(i) US$ rates

Spot	$1.5180	-	$1.5260
1 month forward	Par	-	0.03 c. disc
2 months forward	0.05 c. disc	-	0.08 c. disc
3 months forward	0.09 c. disc	-	0.12 c. disc
4 months forward	0.20 c. disc	-	0.24 c. disc

(ii) UK Base Rate - 9.5%

(iii) US 3 month SOFR Rate – 10.25%

(iv) The customer is borrowing sterling from your office at 2% over the bank's Base Rate and you have agreed with them that, in the event of their requesting foreign currency, you would charge them at the rate of 1.5% over the US SOFR Rate.

(v) Your customer does not purchase goods for which they have to pay in foreign currency.

REQUIRED:

(a) By what methods can your customer be protected from Foreign Exchange Risks whilst preserving its Profit Margins? [5 marks]

(b) Outline any contractual obligations in respect of Foreign Exchange that your customer would have to undertake. [5 marks]

(c) Show by calculation the costs of each method proposed in answer to (a) above, and the sterling proceeds which each method would produce. [5 marks]

(d) Set out a formula which your customer would use to compare sterling and foreign currency borrowing costs, taking into account, where appropriate, the advantages or disadvantages of forward cover. [5 marks]

Notes: (1) Ignore all bank charges in respect of commissions, etc.
(2) Base your calculations on a 30 day month and a 360 day year.

[Total: 20 marks]

PART III: CASE/SCENARIO BASED QUESTIONS (ANSWER ONLY ONE QUESTIONS)

QUESTION 1

Technology has undoubtedly transformed the Trade Finance landscape, ushering in an era of increased efficiency, transparency, and accessibility. As a result, Trade Finance, the process of financing International Trade transactions, has undergone significant transformations with the advent of technology. Traditionally, Trade Finance involved a considerable amount of paperwork, manual processing, and lengthy approval times. However, in recent years, various technological innovations have revolutionized the Trade Finance industry, making it more efficient, secure, and accessible than ever before.

You are a Trade Finance Manager at an International Bank, and your Board is considering adopting new technologies to streamline its Trade Finance operations. The traditional Trade Finance process at your bank involves a significant amount of paperwork, manual processing, and long approval timelines, which have often led to delays and inefficiencies.

Given the recent advancements in technology, such as Blockchain, AI, and Digital Platforms, which have increased efficiency, transparency, and accessibility in Trade Finance, you are tasked with presenting a proposal to the bank's Board. The proposal should highlight how these technologies can revolutionize the Trade Finance process by reducing paperwork, speeding up approval times, and improving security.

REQUIRED

Based on the scenario above, how would you justify the adoption of these Technological Innovations to the Board? Use five (5) points to make a detailed justification. [20 marks]

QUESTION 2

Banda Mariners Limited offers a wide range of services to the shipping world, including the provision of officers and crew on Standard Ship Delivery Contracts. These contracts entail the provisioning, crewing and delivery of vessels to the owners or their agents at named ports. The company has a long, satisfactory banking relationship with your bank, First Class Bank PLC.

The Directors are discussing a potential contract with Neptune Incorporated of the USA, the new owners of a vessel, to provision, crew and deliver this vessel to Neptune Incorporated in Savannah Georgia, USA.

The terms being considered are:

25% payable to Nasira Mariners Ltd on signing the contract;
40% payable, at least 10 days after the vessel has sailed for the USA;
35% payable, at the latest, 10 days after delivery of the vessel to Neptune Inc.

Alhaji Asumah Banda, Managing Director of Banda Mariners Limited, calls to see you to discuss this contract. He wishes to ensure that secure methods of payment are used so that, provided the company fulfills the contract terms, payments will be obtained. However, he is aware that Neptune Inc will require some form of undertaking in respect of the 25% Advance Payment.

REQUIRED

a. Briefly describe:
   i. A Banking Instrument which could be issued on behalf of Neptune Inc. and would give Bandah Mariners Ltd the security it is seeking in respect of all payments. [2 marks]
   ii. A Banking Instrument, ***issued in conjunction with (i) above***, which could satisfy the requirements of Neptune Inc. in connection with the Advance Payment. [2 marks]

b. Explain how Banda Mariners Ltd, using these instruments, could claim and obtain access to all payments mentioned in the question. [8 marks]

c. Briefly describe the liability which the following parties will enter into
   i. Customer and

ii. Your bank under a.(ii) above and any conditions which could be included in the instrument to minimize this liability [2 marks each]

d. List any four (4) conditions which could be included in instrument a.(ii) to minimize the liability in point (c) above. [4 marks]

[Total: 20 marks]