



OC: FINANCIAL MARKETS PRACTITIONER (SAQA ID: 117238)
External Integrated Summative Assessment (EISA)

EXEMPLAR PAPER 2
WITH SOLUTIONS

DATE OF PAPER	Exemplar Paper
ASSESSOR	Gordon Rennie/ Kashnie Naidoo
MODERATOR	Rudi Britz/ Erica Bruce
WRITING TIME	3 Hours
READING TIME	15 Minutes
TOTAL EXAM TIME	3 Hours 15 Minutes

1. This is a closed book examination.
2. Please check that **ALL** the required questions have been answered.
3. Please **DO NOT** write your name and surname on the completed answer books.
4. Questions must be answered in the **Answer Boos provided**.
5. Please note that there is no need to elaborate outside of the scope of the question. Lengthy answers are unnecessary. Provide concise and explicit answers.
6. The total marks for Paper 2 are **135**. A pass mark for Paper 1 is **50% (67.5/135)**.

7. There are three (3) sections to the examination:

SECTIONS	MARK ALLOCATION
SECTION A <i>Answer all questions from this section</i>	60
SECTION B <i>Answer all questions from this section</i>	60
SECTION C <i>Answer all questions from this section</i>	15
TOTAL (PAPER 2)	135

8. Each question in Sections A and B must be answered on a new page. Questions may be answered in any order and **MUST** be clearly numbered.
9. A non-programmable calculator may be used. No mobile devices or any other form of electronic devices are permitted.
10. All answers must be written in black or blue ink in the required answer book/s. No answers written in pencil will be marked. Answers must be legible.
11. All forms provided are to be completed.
12. “The Act” means the Financial Markets Act, No. 19 of 2012. The expression “the Act” may be used in answers.
13. “JSE” means the JSE Limited. The expression “JSE” may be used in answers.
14. “The Rules and Directives” means the Rules and Directives of all the markets of the JSE, as amended. The expression, “the Rules and Directives” may be used in answers.

Scenario

You are the Head of Trading at Serendipity Equities (Pty) Ltd, a newly approved exchange member. You are required to write a report detailing the use of the JSE equities trading system to your Board of Directors.

The detailed report must include how transactions are executed, when are off-book transactions valid, and the basis on which orders are matched.

You are required to select the correct answers for the situations shown below, each question is allocated 2 marks.

Question 1 (each question is 2 marks)**(10 marks)**

- 1.1. All transactions in securities by a JSE equities trading member must be conducted through the _____ of the exchanges equities trading system unless the transaction meets the criteria for an _____.
- A. central order book, off-book trade
 - B. central order book, OTC derivatives transaction
 - C. CSD, bookbuild trade
 - D. CSDP, central order book trade
- 1.2. An off-book trade is negotiated off the trading system and is only deemed to be a valid transaction once the _____ of the transaction have been _____ by the trading system.
- A. purchase legs, matched and confirmed
 - B. sale legs, matched and confirmed
 - C. purchase and the sale legs, reported
 - D. purchase and the sale legs, matched and confirmed

- 1.3. Orders entered into the central order book are matched based on the following order of priority?
- A. Value; whether the order is visible to the market; and the time of entry into the central order book.
 - B. Price; volume and time of entry into the central order book.
 - C. Price; whether the order is visible to the market; and the time of entry into the central order book.
 - D. Price; whether the order is visible to the market; and value and volume.
- 1.4. 1.4. Members accessing JSE systems must at all times maintain and enforce appropriate _____ procedures which are designed to prevent _____ from having access to any JSE systems, member trading applications or client applications.
- A. capital adequacy; insolvent persons
 - B. security; unauthorised persons
 - C. operational; IT personnel
 - D. collateral; unfunded counterparties
- 1.5. 1.5. Members accessing JSE systems must at all times have the necessary _____ to ensure that any _____ sent to or received from JSE systems does not interfere with the _____ and _____ of the equities market or the proper functioning of the JSE systems.
- A. resources; data, efficiency, integrity
 - B. resources; purchase, settlement, clearing
 - C. resources; data, efficiency, speed
 - D. data, trades, speed, networks

Question 1 Solutions	
1.1	A
1.2	D
1.3	C
1.4	B
1.5	A

Question 2 (each question is 2 marks)

(18 marks)

The following 7 market conditions can have significant effects on the movement of a company's share price. You are required to match the right market condition to the explanation provided in each of the questions below:

- I. Gross Domestic Product (GDP)
- II. Inflation
- III. infrastructure
- IV. Interest rates
- V. labour resources
- VI. political stability
- VII. purchasing power

2.1. _____ means a rise in prices as the purchasing power of the relevant currency falls.

- A. I
- B. II
- C. III
- D. V
- E. VII

2.2. The _____ is the aggregate value of all the goods and services produced in the economy. Consequently, it is the metric for the overall performance of the economy.

- A. I
- B. II
- C. III
- D. IV
- E. VII

2.3. Eroding _____ results in lower demand for products and services, translating into declining performance of most prospective investments.

- A. I
- B. II
- C. III
- D. IV
- E. VII

2.4. Adequate _____ is essential for economic growth which in turn enhances investor confidence.

- A. I
- B. II
- C. III
- D. IV
- E. VII

2.5. The prevailing _____ in the economy determines the cost and availability of credit and funding for development.

- A. I
- B. II
- C. III
- D. IV
- E. V

2.6. Industrial development requires _____. That means economic development is affected by this market condition.

- A. II
- B. III
- C. V
- D. VI
- E. VII

2.7. The supply and demand of _____ is critical to production companies. Similarly, it means more potential consumers for the company's products.

- A. II
- B. III
- C. V
- D. VI
- E. VII

2.8. _____ includes power supply, roads, railways, and in the modern economy effective communication and data transmission, as well as an effective financial market and banking sector.

- A. II
- B. III
- C. IV
- D. V
- E. VI

2.9. The lack of _____ diminishes investor confidence while its existence encourages confidence and development.

- A. II
- B. III
- C. IV
- D. V
- E. VI

Question 2 Solutions	
2.1	B
2.2	A
2.3	E
2.4	C
2.5	D
2.6	D
2.7	C
2.8	D
2.9	E

Question 3**(4 marks)**

Boston Ltd (BSN) is a listed company. The company's shares were trading at 20 000 cents per share just before a share split of 8 for 1. The analyst states that the new price means lower concentration risk and it makes the share more accessible to more investors, thus increase in quantity demanded = increase in price by 15%. What is the expected price after the split based on the analyst's assessment per share?

- A. R25
- B. R27,50
- C. R28,75
- D. R230
- E. None of the above

Question 3 Solution

C. R28,75

The logical price would be R25 per share after the share split ($R25 = \frac{R200}{8}$), but given the analysts assessment it is $R25 \times 1.15 = R28,75$

Question 4 (each question is 2 marks)**(14 marks)**

You have just completed the required examinations and have been employed as a Junior Makenzie Securities and Trust (Pty) Limited. The Head of the Equities trading desk has asked you to review the following trade types and market scenarios and to identify from the terms below which applies in each question:

The possible trade types are listed below:

- I. Non-published Off-Book Trade
- II. Bookbuild Trade
- III. Market Order
- IV. Volatility Auction Call Trade
- V. Late Trade
- VI. Pre-issued Trade
- VII. Off-Book Trade
- VIII. Block Trade

Identify from the list above, which term applies to each of the 7 questions below:

- 4.1. _____ is an order submitted to the central order book during an auction call period with no price limit, which is held on the central order book and may execute either in full or in part against eligible orders, at the price of a new order entered into the central order book or at the reference price.
- A. Market Order
 - B. Non-published Off-Book Trade
 - C. Bookbuild Trade
 - D. Volatility Auction Call Trade
- 4.2. _____ trade is a transaction in equity securities negotiated off the central order book and is submitted by the member of the JSE equities trading system.
- A. Late Trade
 - B. Pre-issued Trade
 - C. Off-Book Trade
 - D. Order
- 4.3. _____ is transactions affected in pre issued securities in accordance with the rules.
- A. Market Order
 - B. Volatility Auction Call Trade
 - C. Late Trade
 - D. Pre-issued Trade
- 4.4. _____ trade is one carried out in the auction call session which occurs if an order is entered that would execute at a price that is equal or greater than a percentage, as specified by the market controller, away from the reference price.
- A. Bookbuild Trade
 - B. Market Order
 - C. Volatility Auction Call Trade
 - D. Late Trade

4.5. A transaction where a member trades in a single equity security as an agent or a principal with another member in order for the second member or its clients to participate in an offer. The member managing the process must advise the Director: Market Regulation of the bookbuild prior to reporting a _____.

- A. Pre-issued Trade
- B. Book Build Trade
- C. Off-Book Trade
- D. Block Trade

4.6. _____ is a transaction where a member trades after trading hours and where the transaction is:

- executed by a member acting on behalf of a client, in fulfilment of an order already entered into the JSE equities trading system, and where the counterparty is a foreign professional market participant; or
- executed by a member for a professional market participant, in fulfilment of an order received prior to the end of the closing auction call session, at a price which can only be established after the closing auction call session; or
- executed by a member acting on behalf of a professional market participant, in fulfilment of an order received after trading hours, where the counterparty is a foreign professional market participant; or
- executed by a member as a principal for its own account where the counterparty is a foreign professional market participant.

- A. Bookbuild Trade
- B. Market Order
- C. Volatility Auction Call Trade
- D. Late Trade

4.7. A _____ is a transaction where a member trades as an agent or a principal in a single equity security and the transaction comprises at least the specified minimum value determined by the JSE according to the Average Daily Value Tier attributable to that security, as set out in the directives.

- A. Pre-issued Trade
- B. Book Build Trade
- C. Off-Book Trade
- D. Block Trade

Question 4 Solutions	
4.1	A
4.2	C
4.3	D
4.4	C
4.5	B
4.6	D
4.7	B

Question 5

(14 marks)

A Client, John Williamson, places an order with you at 09h45 on Thursday 14th July 2020 to buy 300 000 Merafe Resources (MRF) shares at market. On viewing the ZA03 trading segment of the order book you decide that it will be in your client's best interest to try and acquire these shares through the central order book.

MRF shares are currently trading at 59c, which is the current reference price. You place your order into the trading system and in the heat of the moment override error messages on your screen, if any.

To your great surprise the entire order is immediately filled, today is going well.

You are required to answer the questions below:

- 5.1. You realise that you had transposed the figures and put in a bid price of 95c instead of 59c and your entire order had been executed at 95c. The highest price that MRF have ever traded before your trade is 63c. Which option below is correct? (2 marks)
- A. As the order is on the order book you are irrevocably bound to this transaction, and your firm must bear the loss.
 - B. This is a clear error by a member, and there is a means to rectify the transaction.
 - C. You should immediately put the shares on offer at 95c.
 - D. None of the above.

- 5.2. Immediately upon becoming aware of the erroneous trade, you would request permission from _____ to cancel the trade by informing him of the original trade, giving details of such trade and the circumstances or reasons which resulted in the original trade. (2 marks)
- A. Your Stockbroker in Control.
 - B. Your Compliance officer.
 - C. The Director: Market Regulation
 - D. The head of FSCA.
- 5.3. The request for permission to cancel the trade must be received by the party discussed in question 5.2. within a certain period from the time of the first erroneous trade which has arisen as a consequence of an erroneous order. What is that time period? (2 marks)
- A. 15 minutes
 - B. 20 minutes
 - C. 30 minutes
 - D. 45 minutes
 - E. 60 minutes
- 5.4. Calculate is the value at which the erroneous trade was executed above the client's instruction? Choose the correct option (3 marks)
- A. R108 000
 - B. R177 000
 - C. R285 000
 - D. R300 000
 - E. None of the above
- 5.5. Whenever a trade cancellation of an on-book trade is executed, the _____ responsible for the error that gave rise to the cancellation will be liable for payment of an administration fee of R_____ (2 marks)
- A. TSP that sold to you; R5 000.
 - B. TSP responsible for the error; R5 000.
 - C. ISP responsible for the error; R5000.
 - D. TSP responsible for the error; R10 000.
 - E. None of the above.

5.6. The TSP who requested the trade cancellation must compensate the opposite TSP, who in turn must compensate its client, for any damages suffered due to the loss of price/time priority. This compensation amount is determined by the Director: Surveillance of the JSE on request.

(3 marks)

- A. Compensate; its client; price/time priority; Director: Market Regulation of the JSE
- B. Compensate; the JSE; price/time priority; Director: Market Regulation of the JSE
- C. Compensate; its client; brokerage; Director: Market Regulation of the JSE
- D. Compensate; the JSE; price/time priority; Director: Compliance officer
- E. None of the above

Question 5 Solutions	
5.1	B
5.2	C
5.3	B
5.4	A $300000 \times 0.95 = 285\ 000$ and $30000 \times 0.59 = 177\ 000$ therefore value of the error is $R285000 - R177000 = R108000$
5.5	D
5.6	A

Question 6

(30 marks)

You are the Head of Settlements at Anxious Capital Securities (Pty) Ltd. Your trader has just signed up a big new institutional client, Marist Capital. The Compliance Team have ensured that the mandates and the account opening processes have been completed correctly to ensure compliance with the Financial Intelligence Centre Act (FICA). You have been tasked with informing Marist Capital of the relevant client settlement obligations, ensuring compliance with the exchange rules and to facilitate an optimal settlement process.

You are required to provide the Marist with a summary of the key obligations including timelines to ensure that they are fully aware of their settlement obligations as an institutional and professional client.

When answering the questions below, **select the appropriate terms from the list below:**

- I. Controlled
- II. Non-controlled
- III. Substituted
- IV. Confirmed
- V. New confirmation
- VI. Preferred
- VII. Right
- VIII. Obligation
- IX. CS
- X. CSD
- XI. CSDP
- XII. Settlement Authority
- XIII. First business day
- XIV. Second business day
- XV. Third business day
- XVI. Commitment

6.1. The allocation of a transaction to a non-controlled client will result in the member's obligation to settle the transaction being _____ with the client's _____ to settle the transaction through the client's _____.

(3 marks)

- A. III, VIII, and XI
- B. III, IV, and X
- C. VI, VI, and VI
- D. V, VII, and XI
- E. III, VII, and XI

6.2. A _____ client must, by no later than 12h00 on the _____ after the trade date, give instructions to its _____ to settle the transaction.

(3 marks)

- A. III, XII, and XI
- B. III, XI, and XIII
- C. II, XII, and X
- D. II, XIII, and XI

6.3. In the event of the correction of an allocation of a trade which results in a _____ of the trade by the member, the instruction to the _____ to settle the transaction must be given within sufficient time to allow for this _____ to commit to settle.

(3 marks)

- A. IV, XII, and XII
- B. V, XI, and XI
- C. IV, XII, and XII
- D. I, XIII, and XI

6.4. A _____ client must endeavour to ensure and procure that their _____ has committed to settle the transaction on their behalf by no later than 12h00 on the _____ after the trade date.

(3 marks)

- A. I, IX, and XIII
- B. II, X, and XIV
- C. II, XI, and XIV
- D. I, XII, and XV

- 6.5. If a _____ client fails to secure settlement the member is advised or otherwise becomes aware, at any stage, that a _____ client is unable to settle a transaction, the member may proceed in the manner set out in rule 10.100. (Sell out or buy in to cover risk). (2 marks)
- A. I and I
 - B. II and I
 - C. II and II
 - D. None of the above
- 6.6. In the absence of _____ from the _____ of a _____ client before 12h00 on the _____ after the trade date, the _____ client must nevertheless ensure that his _____ commits to settle the transaction by 15h00 on the _____ after the trade date. (4 marks)
- A. XVI, XI, II, XIV
 - B. IV, X, I, XIII
 - C. III, XI, II, XV
 - D. XVI, X, I, XV
- 6.7. Following on from the above question, the _____ client must nevertheless ensure that his _____ commits to settle the transaction by 15h00 on the _____ after the trade date. (3 marks)
- A. II, XI and XIV
 - B. I, XI and XIV
 - C. II, XI and XIII
 - D. I, X and XIV
- 6.8. If a _____ client fails to meet his obligations which includes any indication by this client, at any stage, that he is unable to settle a transaction, the member will, by no later than 16h00 on the _____ after the trade date, assume the obligation to settle the transaction through the member's _____. (3 marks)
- A. I, XIV and X.
 - B. I, XIII and X.
 - C. II, XIV and XI.
 - D. I, XIV and XI.
 - E. II, XV and X.

6.9. If a _____ client's _____ has committed to settling a transaction on behalf of the _____ client. (3 marks)

- A. A. I, XI and III
- B. B. II, XI and II
- C. C. II, X and II
- D. D. I, X and I

6.10. 6.10. Following on from the question above, this client may not instruct the _____ to revoke its commitment to settle the transaction, unless the _____ client receives an instruction to do so from the _____ . (3 marks)

- A. XIV, II, and XIII
- B. XV, II and XIII
- C. X, I, X and XI
- D. XI, II, and XII

Question 6 Solutions	
6.1	A
6.2	D
6.3	B
6.4	C
6.5	C
6.6	A
6.7	A
6.8	C
6.9	B
6.10	D

Question 7**(7 marks)**

- I. CSDP
- II. Controlled
- III. Netting
- IV. Non-controlled
- V. Substitution
- VII. The member
- VIII. Aggregating

Select the correct terms from above list to complete the following statements:

7.1. To achieve settlement between the “Ultimate Buyer and Ultimate Seller” in the case of all non-Controlled clients, the concept of “_____” was introduced. It is where settlement between the ultimate buyer and ultimate seller, involves comprehensive _____ and _____ of a _____ client’s obligations for those of the broker. (4 marks)

- A. V, III, V, and VI.
- B. III, V, III, and II.
- C. III, V, III, and IV.
- D. None of the above.

7.2. At the time of commit, the obligation to settle has been accepted by the _____ client and his _____. The _____ will play no further part in that settlement. (3 marks)

- A. IV, I, and VII.
- B. IV, I, and VI.
- C. II, I, and VII.
- D. II, I, and VI

Question 7 Solutions

7.1	A
7.2	B

Question 8**(13 marks)****You are required to answer the following questions by choosing the most correct option.**

- 8.1. Margin is payable by a member before 12h00 on the second business day – (2 marks)
- A. in respect of a non-controlled client transaction where, by end of day on the first business day after the trade date, the CSDP of the non-controlled client has not committed to settle the transaction on behalf of that client.
 - B. in respect of a non-controlled client transaction where, by end of day on the second business day after the trade date, the CSDP of the non-controlled client has not committed to settle the transaction on behalf of that client.
 - C. in respect of a non-controlled client transaction where, by end of day on the third business day after the trade date, the broker has not committed to settle the transaction on behalf of that client.
 - D. in respect of a non-controlled client transaction where, by beginning on the second business day after the trade date, the CSP of the non-controlled client has not committed to settle the transaction on behalf of that client.
- 8.2. What are the functions that Central Services Depository (CSD) fulfils? (2 marks)
- A. The CSD provides trading services for the equities, bonds, and money market instruments.
 - B. The CSD provides investment services for the equities, bonds, and money market instruments.
 - C. The CSD provides back-office administration services to custody services providers in all markets.
 - D. The CSD provides settlement services for transactions in equities, bonds and money market instruments as well as custody or depository services for securities.
- 8.3. A non-controlled client is defined as (2 marks)
- A. Non-controlled clients are clients where the clients act on their own behalf and have control over their own securities in a segregated account. The clients appoint an authorised user to transact on their behalf to move the securities as required to facilitate settlement.
 - B. Non-controlled clients are clients where the authorised user has control over the clients' assets and cash. These clients do not surrender their share certificate(s)/custody to a CSDP therefore the CSDP has no control over their assets.
 - C. Non-controlled clients are clients where the member does not have control over the clients' assets and who appoint a Central Securities Depository Participant (CSDP) to act on their behalf. These clients must surrender their share certificate(s)/custody to the chosen CSDP and open an account with the CSDP. These clients will only deal with a broker when

wanting to execute a trade and must provide the broker with details of their CSDP account when trading.

- D. Non-controlled clients are clients where the member has control over the clients' assets and who appoint a Central Securities Depository Participant (CSDP) to act on their behalf. These clients do not surrender their share certificate(s)/custody to the chosen CSDP and open an account with the CSDP. These clients will only deal with an authorised user.

8.4. What Roles does Settlement Authority play? (2 marks)

- A. Manage settlements of transaction via central order book and risks, manage settlement of reported transactions where rind fencing occurred and risk, with sole discretion and in exceptional circumstances roll settlement and in exceptional circumstances, extend trading times.
- B. Ensure that the exchange Broker Deal Accounting system is operating efficiently thereby ensuring the correct processing of transactions.
- C. Manage the settlements through delegating responsibility of settlements to all brokers and CSDP's to ensure the simultaneous irrevocable delivery versus payment.
- D. Ensuring that the management of transactions via algorithmic trading is managed by the exchange, management of operational functions performed by CSDP's and managing exchange business risk.

8.5. CSDPs act as (2 marks)

- A. agents to brokers and thus issue shares to clients. They also provide or facilitate uncertificated securities lending facilities to their clients.
- B. third parties to client and thus liaise with the exchanges. They also provide or facilitate uncertificated securities lending facilities to their clients.
- C. agents to client and thus issue statements to clients. They also provide or facilitate uncertificated securities lending facilities to their clients.
- D. brokers. They also provide or facilitate funds lending facilities to their clients.

8.6. Direct Market Access means the process whereby (3 marks)

- A. an order is received electronically by a CDP from a client and then submitted electronically to the JSE equities trading system by means of an order entry application operated by the TSP, without the intervention of a registered securities trader.
- B. an order is received electronically by a TSP from a client and then submitted electronically to the JSE equities trading system by means of the central order book operated by the TSP, without the intervention of a registered securities trader

- C. an order is received electronically by a TSP from a client and then submitted electronically to the CSDP by means of the central order book operated by the JSE, without the intervention of a registered securities trader
- D. means the process whereby an order is received electronically by a TSP from a client and then submitted electronically to the JSE equities trading system by means of an order entry application operated by the TSP, without the intervention of a registered securities trader

Answers to Question 8	
8.1	A
8.2	D
8.3	C
8.4	A
8.5	C
8.6	D

Question 9

(10 marks)

You are required to answer the following questions by choosing the most correct option.

- 9.1 Maya Salvatore is a portfolio manager, who is meeting with a prospective client. In her initial meeting she tells the client that in her previous position at another firm she was able to grow all her clients' portfolios by 40% on average. She tells the client that she can guarantee the same performance growth should the client choose her as a portfolio manager. Which of the following statements is in accordance with Standard III (D), Performance Presentation?
- A. She should not have implied that her past performance is an indication of her future performance
 - B. She should not have implied that her past performance could guarantee the same performance in the future
 - C. Stating the percentage was not in line with ethical behaviour

- 9.2 Annabel Michaelson, CFA, is an analyst at Mainstream Securities. She attends a staff meeting where she receives information that a company she is covering will soon be acquired by Mainstream Securities. The management of Mainstream express great optimism about the acquisition. Annabel issues a research report that states that the company is about to achieve great results off the back of the success of the new acquisition deal. Annabel has:
- A. Not violated CFA Institute Standards of Professional Conduct because she had reasonable reason to assume that the statements in her report were accurate.
 - B. Violated CFA Institute Standards of Professional Conduct because she misrepresented the optimism by turning it into a certainty.
 - C. Violated CFA Institute Standards of Professional Conduct because she did not confirm the statements that management of Mainstream Securities made.
 - D. None of the above
- 9.3 Michael Landon, CFA is employed by an Investment Advisor firm. In which of the following situations may Landon recommend a security, whilst remaining in compliance with Standard V (A), Diligence and Reasonable basis.
- A. Advisors' research department recommends a stock
 - B. Landon reads a favourable review in a financial journal
 - C. For either reason listed
 - D. All of the above
- 9.4 The Investment banking department of Kay Investments often has information that would be of significant use to the firms stock broking clients. In order to comply with CFA Institute Standards of Professional Conduct, which of the following policies should Kay Investments adopt?
- A. Standard II (A), Material Non-public Information, Kay Investments should advise their investment banking clients to disseminate this information.
 - B. Standard II (A), Material Non-public Information, Kay Investments should create physical and informational fire walls within the firm to prevent the exchange of information between the investment banking and stock broking operations.
 - C. Standard III (B), Fair Dealing, all clients should be informed of all information at the same time.
 - D. None of the above

9.5 Alan Newman, a portfolio manager, tells a prospective client that he cannot guarantee that the client will earn 15% on equities during the current year, but says that he can provide a range within which the clients return will lie. He advises the client that his range of returns is very popular with his current client base and has a history of 5 years. He further advises that each year he develops the range using various financial models and forecasts. Based on the CFA Institutes Standards, the portfolio manager:

- A. Did not violate any standard
- B. Violated Standard III (D), Performance Presentation
- C. Violated Standard I (C), Misrepresentation
- D. All of the above

Answers to Question 9	
9.1	B
9.2	B
9.3	A
9.4	B
9.5	C

Section C

[15 Marks]

Question 10

(5 marks)

Choose the most correct options.

An **Unbundling** is an event where an _____ in specie to the _____, whether by way of –

- a _____ (including a liquidation dividend);
 - a total or partial _____ of capital (including any share premium);
 - a _____ of redeemable preference shares;
 - an acquisition of shares in terms of Section 48 of the Companies Act; or
 - all or any part of any securities in another issuer whose securities are, or are about to be, listed and which securities are held by the issuer or by a subsidiary of such issuer.
- A. Broker distributes, registered owners, dividend, reduction, redemption
B. Issuer distributes, registered owners, dividend, reduction, redemption
C. Issuer distributes, registered owners, dividend, increase, redemption
D. Issuer distributes, broker, dividend, increase, redemption

Question 11

(10 marks)

You are required to choose the most correct option.

- 11.1 A share dividend will: (2 marks)
- A. Affect the company's credit standing
 - B. Dilute the company's future dividend payments
 - C. Reduce the company's debt
 - D. Increase the company's revenue
- 11.2 A share split will: (2 marks)
- A. Reduce the company's share capital
 - B. Increase the company's share capital
 - C. Not affect the company's share capital
 - D. None of the above
- 11.3 The company's weighted average cost to capital: (2 marks)
- A. Will increase with a share split
 - B. Stay the same with a share split
 - C. Decrease with a share split
 - D. None of the above

11.4 The issue or authorised by unissued share capital will:

(2 marks)

- A. Reduce the company's share capital
- B. Increase the company's share capital
- C. Not affect the company's share capital
- D. None of the above

11.5 The issue of stock options to a company director will: **(2 marks)**

- A. Reduce the company's share capital
- B. Increase the company's share capital
- C. Not affect the company's share capital
- D. None of the above

Answers to Section C	
10	B
11.1	B
11.2	C
11.3	B
11.4	B
11.5	C

END OF PAPER 2
