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MODEL QUESTION – SET 1

(Prepared for JAIBB Examination Practice by ibbprep.com)

JAIBB
Monetary and Financial System (MAFS)

Subject Code : 1 0 1

Time—3 hours
Full marks—100
Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer the questions as mentioned in different parts.]

Part A — Descriptive Questions

(Answer any two questions) Marks—20×2 = 40

1. *(a)* Explain how money functions as a store of value. What is the difference between money and other assets in terms of storing the value? **3+3=6**

(b) Define inflation. Explain the major demand-side and supply-side causes of inflation in an emerging economy like Bangladesh. **2+6=8**

(c) Discuss the potential trade-off and challenges a central bank focus when simultaneously pursuing the objectives of 'price stability' and 'full employment'. **6**

2. *(a)* Differentiate between monetary system, financial system and payment system of a country. **6**

(b) Describe the financial system of Bangladesh. **8**

(c) Differentiate between money and credit. What is the price of money and how is it determined? **2+4=6**

3. *(a)* Why electronic payments is popular? Discuss briefly. **5**

(b) Do you think 'Taka Pay' card is a rival of visa/Master card? Explain shortly. **5**

(c) Which payment method i.e. MPS/Traditional is more effective to enhance wage earner remittance? Explain. **6**

(d) What do you mean by contactless payment? Explain. **4**

4. *(a)* At the current state of globalization, every country is internationally connected. What do you know about global integration of the financial market? **5**

(b) What is the role of the foreign exchange market in the global financial market? **5**

(c) Define 'balance on current account' and 'basic balance' in international balance of payments. **5**

(d) Which of the following transactions would increase a current deficit? (i) An increase in foreign travels (ii) More long term borrowing by government (iii) A decrease in export (iv) A decrease in import (v) An increase in remittance abroad. **5**

Part B — Mathematical Problem

(Answer any one question) Marks—10

5. The Bangladesh Bank published following macroeconomic data for the fiscal year 2024-25:

Indicator	Value (Tk. in billions)
Currency in circulation (C)	2,800
Demand Deposits (DD)	4,200
Time Deposits (TD)	9,500
GDP at current market prices	42,000
Net Foreign Assets (NFA) of the banking system	1,200

(a) Calculate the M2 money supply in 2024-25. **4**

(b) Calculate the standard monetization ratio. **3**

(c) Calculate the adjusted monetization ratio. **3**

6. *(a)* Suppose the interest rate of a taxable corporate bond is 12.5% and the marginal tax rate is 40%. A tax-free municipal bond with a rate of 9.25% is also available to buy. Which security would you choose to buy? Why? **5**

(b) A commercial Bank, facing a temporary liquidity crunch, approaches to Bangladesh Bank and borrows Tk. 500 crore through repo at 6.25% for 7 days. Compute the repo interest payable. **5**

Part C — Case Study

(Solve any one case) Marks—20×1 = 20

7. Case-1: Turkey's High Inflation Crisis (2021-2023)

Review the following case study and provide concise, to-the-point responses to the subsequent questions. Responses should be expressed with clarity and precision.

Background: Between 2021 and 2023, Turkey experienced one of the world's fastest inflation spikes, with annual inflation peaking at over 85% in October, 2022. Instead of raising interest rates, the Central Bank of Republic of Turkey (CBRT) cut its policy rate from 19% (in early 2021) to 8.5% (by early 2023), following direct political pressure from the executive branch. This loss of central bank independence led to a sharp decline in investors' confidence. The Turkish Lira lost more than 44% of its value in 2021, causing imported goods (fuel, food, machinery) to become far more expensive. Capital outflows increased and foreign reserve depleted sharply as the government attempted to defend the currency. To stabilize markets, the CBRT adopted alternative measures: Selective credit control, Higher reserve requirements, FX-protected deposit schemes to reduce dollarization.

Problem: The CBRT-adopted tools failed to restore stability because policy interest rates remained too low compared to inflation. As a result, inflation expectations become unanchored, and macroeconomic instability persisted.

(i) How did weak central bank independence make Turkey's inflation problem worse during 2021-2023? **5**

(ii) How does a sharp fall in a country's currency value lead to higher prices of goods inside the country? Describe the process. **5**

(iii) Why do central banks usually increase policy interest rates when they want to reduce high inflation? Explain in simple term. **5**

(iv) Mention two important lessons that Bangladesh can learn from Turkey's inflation experience regarding central bank regulation and monetary policy management. **5**

8. Case-2: Digital Payments and MFS Expansion in Bangladesh

Review the following case study and provide concise, to-the-point responses to the subsequent questions. Responses should be expressed with clarity and precision.

In recent years, Bangladesh has witnessed rapid growth in Mobile Financial Services (MFS), transforming how individuals and businesses make payments. One of the leading MFS provider, FastPay, experienced a surge in transactions after the government encouraged cashless payments for social safety nets, utility bills, and small merchant operations. FastPay's user base expanded from rural farmers receiving remittances to urban micro-entrepreneurs who preferred quick, low-cost digital payments instead of handling cash. The platform offered services such as p2p transfers, merchant payments, cash-in/cash-out, salary disbursements, and utility bills payments. With advanced security features like PIN verification and real-time SMS alerts, users felt increasingly confident in digital transactions. However, the rapid increase in transactions volume created operational challenges. Network congestion led to delayed confirmations, occasional transaction reversals, and customers dissatisfaction. FastPay also faced heightened regulatory scrutiny as the central bank tightened compliance requirement on KYC, transaction limits, and AML controls. At the same time, traditional banks expressed concerns that MFS was diverting deposits away from formal banking channels. Policymakers needed to balance innovation with financial stability, ensuring interoperability among providers and strengthening digital infrastructure. FastPay now must decide whether to invest heavily in system upgrades or form strategic partnership with banks to maintain service reliability and scale sustainably.

(i) How has MFS transformed payment behavior in both rural and urban areas? **5**

(ii) What operational risks arise when MFS transaction grows rapidly? **5**

(iii) How do regulatory requirement such as KYC and AML affect MFS operations? **5**

(iv) What strategic options can FastPay pursue to ensure long-term reliability and scalability? **5**

Part D — Understanding Terminology

(Answer any five questions) Marks—2×5 = 10

9. Compare and contrast (any five):

(a) Green finance vs. Sustainable finance **2**

(b) Open-ended vs. Close-ended mutual fund **2**

(c) Stock vs. Bond **2**

(d) FDI vs. FPI **2**

(e) Sukuk and Takaful **2**

(f) CRR and SLR **2**

(g) Qard Hassan and Rahn **2**

(h) BFTN & RTGS **2**

Part E — Short Questions

(Answer any five questions) Marks—4×5 = 20

10. Answer any five questions:

(a) What is sovereign credit risk? Why do international investors care about a country's credit rating when purchasing government bonds? **4**

(b) Explain the relationship between bond price and market interest rate. **4**

(c) Define Velocity of Money. **4**

(d) Define Money Multiplier. **4**

(e) What is Inclusive finance? **4**

(f) What is SMART (the market-based lending rate benchmark)? **4**

(g) What is a Monetary Policy Statement (MPS)? **4**

(h) What is CAMELS? **4**

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