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MODEL QUESTION – SET 10

(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)* Write the main functions of Bangladesh Bank as stipulated in BB Order, 1972. **6**

(b) Do you think—Weakness in supervision is the main causes of fraud/forgery happened recently in banking industry? Discuss briefly. **6**

(c) Describe the following two core policies of BB: (i) Reserve Management Strategy (ii) Interest Rate Policy. **4+4=8**

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

(b) How microfinance is different from microcredit? What roles, in your opinion, should Bangladesh Stock Exchange Commission (BSEC) undertake to foster a vibrant secondary capital market in Bangladesh. **3+6=9**

(c) "'Central bank' is the lender of last resort"—Please explain. **5**

3. *(a)* What are the two approaches of managing funds under ALM in financial institutions? How do you differentiate between the two approaches? **2+5=7**

(b) Why is it argued that 'Banks are dying'? **5**

(c) Explain the trends/factors which are reshaping commercial banking all over the world now a days. **8**

4. *(a)* What are the key regulatory and supervisory role of Bangladesh Bank in maintaining financial and monitory stability of the country? **8**

(b) Explain the functions of Insurance Development and Regulatory Authority (IDRA) in the insurance market in Bangladesh. **8**

(c) Differentiate between money market and capital market in terms of their purpose, instruments and participants. **4**

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)* What is the discount yield for a five year bond that was purchased for Tk. 60 and has a face value of Tk. 100. **5**

(b) The average industry PE ratio for hotels similar to Shangri-La hotel Chain is 37. What is the current price of Shangri-La's earnings per share (EPS) are projected to be Tk. 1.16? **5**

Part C — Case Study

(Solve any one case) Marks—20×1 = 20

7. Case-1: Upgrading Payment Infrastructure: RTGS and BEFTN

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

As transaction volumes on Bangladesh's Real Time Gross Settlement (RTGS) and Bangladesh Electronic Funds Transfer Network (BEFTN) systems have grown rapidly with the expansion of digital payments, banks have occasionally experienced processing delays during peak hours, prompting Bangladesh Bank to consider infrastructure upgrades. Some banks have advocated for faster investment in system capacity, while others have raised concerns about the cost of upgrades being passed on to customers through higher transaction fees.

(i) What distinguishes RTGS from BEFTN in terms of settlement speed and typical use cases? **5**

(ii) Why might rapid growth in digital payment volumes strain existing payment infrastructure? **5**

(iii) What trade-offs must banks weigh between investing in capacity upgrades and controlling transaction fees? **5**

(iv) What role should Bangladesh Bank play in coordinating infrastructure upgrades across the banking industry? **5**

8. Case-2: Credit Ratings and Corporate Bond Market Development

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

A mid-sized manufacturing company seeking to issue its first corporate bond in Bangladesh found that the absence of a strong track record of credit ratings for similar companies made it difficult for underwriters to price the issue attractively. Credit rating agencies in Bangladesh have rated relatively few corporate bond issuers compared to more developed markets, partly because many companies are reluctant to undergo the disclosure required for a rating, and partly because investor demand for rated corporate debt has historically been limited.

(i) Why does the absence of a credit rating track record make it harder to price a new corporate bond issue? **5**

(ii) Why might companies be reluctant to seek a credit rating despite the potential benefits? **5**

(iii) What role do credit rating agencies play in building investor confidence in a corporate bond market? **5**

(iv) What steps could policymakers take to encourage more companies to seek credit ratings and issue rated bonds? **5**

Part D — Understanding Terminology

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

9. Compare and contrast (any five):

(a) LCR vs. NSFR **2**

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

(c) CAMELS vs. CAMELCO **2**

(d) Money market vs. Capital market **2**

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

(f) Gharar vs. Mayasir **2**

(g) T-bills vs. Government Bonds **2**

(h) Regulation vs. Supervision **2**

Part E — Short Questions

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

10. Answer any five questions:

(a) Why regulations are needed for financial system? Discuss. **4**

(b) What is a Crawling Peg? **4**

(c) What is a Bancassurance? **4**

(d) What is Price Stability (as a central bank objective)? **4**

(e) What is the OTC market? **4**

(f) What does MRA regulate in Bangladesh? **4**

(g) What is Mobile Financial Service (MFS)? **4**

(h) What is E-money? **4**