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MODEL QUESTION – SET 6

(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)* What is money? Discuss the 'Quantity Theory of Money'—it's implications and limitations. **2+8=10**

(b) Explain the relations among nominal rate of interest, real rate of interest, and inflation. Discuss the ways a central bank can control high inflation in the economy. **4+6=10**

2. *(a)* Explain how Banking Financial Institutions (BFIs) and Non-bank Financial Institutions (NBFIs) serve as financial intermediaries. **10**

(b) Outline the functions and growth of NBFIs in Bangladesh. **10**

3. *(a)* What is Mobile Financial Services (MFS)? What are the broad categories of payment services which are allowed in Bangladesh to MFS? **3+3=6**

(b) What kind of challenges may be encountered by the digital banks and its customers in Bangladesh? Suggest some solutions to those challenges. **2+2=4**

(c) What is SMS banking? What do you mean by push and pull messages in SMS banking? **2+4=6**

(d) What are the typical push and pull services a bank may offer under SMS banking? **4**

4. *(a)* What are the key principles of Islamic banking? What are the conceptual differences of 'interest' and 'riba'? **3+4=7**

(b) What are the investment products of Islamic banks? Explain the key features of the investment products of Islamic banks in Bangladesh. **4+4=8**

(c) State and explain the fundamental sources of Shariah Law. **5**

Part B — Mathematical Problem

(Answer any one question) Marks—10

5. *(a)* Find out the price of a two-year, 10% coupon bond (semi-annual coupon payments) with a face value of Tk. 1,000 and a yield to maturity 12%. **6**

(b) From the following data of Bangladesh calculate “Monetization Ratio” and “New Issue Ratio” for FY 2023 and interpret them: GNP at current market prices (FY2022: 41,291; FY2023: 46,185), Money supply M2 (FY2022: 17,081; FY2023: 18,872), Assets of all FIs (FY2022: 21,349; FY2023: 24,140). **6**

6. *(a)* On 01 January 2023, company A issues Tk. 1000 par value with annual coupon payment of Tk. 75 and bond will be matured on 31 December 2025. If after the issuance of the bond the yield to maturity (YTM) of bond stands 9%, calculate the current market price of the bond. **5**

(b) What is the selling price of a stock if its next year dividends are expected to be Tk. 3.5 while the discount rate is estimated to be 9% and the dividends are projected to increase at 5% per year indefinitely (Please use the Gordon growth model)? **5**

Part C — Case Study

(Solve any one case) Marks—20×1 = 20

7. Case-1: Financial Inclusion Through NBFIs

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 several underserved districts of Bangladesh, non-bank financial institutions (NBFIs) have stepped in to offer leasing, term loans, and savings products to small and medium enterprises that traditional banks consider too risky or too costly to serve. While NBFIs have expanded access to formal finance in these areas, some have faced higher default rates than banks, partly due to weaker credit risk assessment and a customer base with limited credit history. Policymakers are weighing whether to extend NBFIs greater access to central bank refinancing facilities to support their expansion, while also tightening supervision to address the elevated risk.

(i) What advantages do NBFIs have over banks in reaching underserved SME customers? **5**

(ii) Why might NBFIs experience higher default rates than banks in the same markets? **5**

(iii) What risks would extending central bank refinancing facilities to NBFIs pose for financial stability? **5**

(iv) What supervisory measures could help NBFIs expand responsibly without compromising asset quality? **5**

8. Case-2: Digital Banking Licences and Branchless Expansion

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

After Bangladesh Bank began issuing digital banking licences, several new entrants launched branchless banks offering deposit accounts, small loans, and bill payment services entirely through mobile apps. These digital banks have been able to open accounts and disburse small loans faster than traditional banks by relying on e-KYC and alternative credit-scoring data drawn from mobile phone usage and transaction history. Traditional bankers have questioned whether alternative credit-scoring models are reliable enough to responsibly extend credit at scale, especially to first-time borrowers with no formal

credit history.

(i) What advantages does e-KYC and alternative credit-scoring give digital banks over traditional banks? **5**

(ii) What risks arise from relying on alternative credit-scoring data for first-time borrowers? **5**

(iii) How might digital banks validate the reliability of their credit-scoring models over time? **5**

(iv) What role should Bangladesh Bank play in supervising digital banks' lending practices? **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) LCR vs. NSFR **2**

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

(d) Liquidity risks vs. Solvency risks **2**

(e) Sukuk and Takaful **2**

(f) Fiat money and Fiduciary money **2**

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

(h) Future Market and Forward Market **2**

Part E — Short Questions

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

10. Answer any five questions:

(a) What are some risks in electronic fund transfer? **4**

(b) What is 'demand for money'? **4**

(c) Name two regulatory bodies apart from Bangladesh Bank. **4**

(d) List two functions of non-bank financial institutions in Bangladesh. **4**

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

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

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

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