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MODEL QUESTION – SET 7

(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 supply? Does money supply includes interbank deposits? Why? **2+2=4**

(b) What are the monetary aggregates? How narrow money (M1) is different from broad money (M2)? **2+2=4**

(c) From the following list of items, indicate if they are in M1, M2 or neither: (1) Line of credit with your bank 50,000 (2) Money in your pocket 10,000 (3) Money in your checking account 20,000 (4) An FDR issued from your bank 50,000 (5) Value of traveller's check in you have 1,500 (6) A sanchayapatra is purchased from Bangladesh bank 1,00,000. **1x6=6**

(d) Calculate the amount of the time deposits when narrow money of around BDT 450 crore is 30% of broad money as on 30 June 2023. Calculate the amount of currency outside banks if demand deposit is almost 60% of M1 on the same date. **3+3=6**

2. *(a)* Why do surplus units prefer to deposit to financial institution rather than investment directly? **5**

(b) List at least five roles of banks play in an economy. **5**

(c) Bank intermediation may be treated as 'risk arbitrage'. What does it mean? **5**

(d) What are differences between micro credit and micro finance? **5**

3. *(a)* State the advantages and disadvantages of mobile payment system. **6**

(b) Describe e-money and list the popular forms of e-money. Do you agree that the use of e-money will substantially reduce the demand for cash? Explain. **4+4=8**

(c) What is the justification of appointing administrator at 'Nagad' by Bangladesh Bank? Explain. **6**

4. *(a)* Briefly explain the basic fundamentals of Shari'ah Law? List major principles that must be followed while developing Shari'ah complaint products. **3+4=7**

(b) List Shari'ah complaint Islamic banking products outlining Shari'ah principles. **5**

(c) What do you know about Shari'ah governance in an Islamic financial institution? Outline the key players and their role in a 'Shari'ah governance framework'. **8**

Part B — Mathematical Problem

(Answer any one question) Marks—10

5. *(a)* From the following list of items, indicate if they are in M1, M2 or neither: (1) Line of credit with your bank 50,000 (2) Money in your pocket 10,000 (3) Money in your checking account 20,000 (4) An FDR issued from your bank 50,000 (5) Value of traveller's check in you have 1,500 (6) A sanchayapatra is purchased from Bangladesh bank 1,00,000. **6**

(b) Calculate the amount of the time deposits when narrow money of around BDT 450 crore is 30% of broad money as on 30 June 2023. Calculate the amount of currency outside banks if demand deposit is almost 60% of M1 on the same date. **6**

6. Imagine that an economy has the following monetary aggregates at the end of 31-12-2023: Currency Outside Banks (COB) Tk. 85,000; M1 Tk. 2,35,000; M2 Tk. 7,45,000.
On 01-01-2024, the following transactions were executed: (i) Encashment of an FDR worth Tk. 1,00,000 of that Sanchayapatra worth Tk. 50,000 was purchased from BB and rest of the Tk. 50,000 was deposited in a current account. (ii) Withdrawl of Tk. 15,000 from a savings account and kept that in cash. (iii) Cash out transaction of Tk. 20,000 with an MFS agent. [MFS maintains a trust and settlement account with a scheduled bank.]

(a) Calculate COB, M1 and M2 monetary aggregates at the end of 01-01-2024. **7.5**

Part C — Case Study

(Solve any one case) Marks—20×1 = 20

7. Case-1: Public Misunderstanding of Money Creation

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

Following a viral social media post claiming that “banks print money out of thin air” and that this is somehow fraudulent, public confusion grew about how commercial banks actually create money through the deposit-and-lending process. Some customers began questioning whether their bank deposits were truly safe, leading to a mild but noticeable increase in cash withdrawals at several branches. Bangladesh Bank's communications team had to quickly clarify how the multiple deposit creation process works within a fractional reserve banking system, and why it does not threaten depositor safety when banks are properly regulated and capitalized.

(i) How does the multiple deposit creation process actually work in a fractional reserve banking system? **5**

(ii) Why might the 'banks print money' claim create public confusion despite being a simplified distortion of a real process? **5**

(iii) What safeguards (e.g., reserve requirements, deposit insurance, capital adequacy) protect depositors under fractional reserve banking? **5**

(iv) What communication strategies could a central bank use to correct such misunderstandings quickly and effectively? **5**

8. Case-2: Encouraging IPOs Through Book Building

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

The Bangladesh Securities and Exchange Commission (BSEC) has promoted the book-building method as a more market-driven alternative to fixed-price IPOs, allowing institutional investors to bid within a price range before the final issue price is set. While the method is intended to improve price discovery and reduce the underpricing that often occurs with fixed-price IPOs, some smaller companies have been reluctant to use book building, citing the additional complexity and cost of the process, and concerns that institutional investors could collude to keep bids low.

(i) How does the book-building method improve price discovery compared to a fixed-price IPO? **5**

(ii) Why might smaller companies be reluctant to adopt the book-building method? **5**

(iii) What safeguards could BSEC introduce to prevent collusion among institutional investors during book building? **5**

(iv) What long-term benefits could wider adoption of book building bring to Bangladesh's capital market? **5**

Part D — Understanding Terminology

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

9. Compare and contrast (any five):

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

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

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

(d) Taka Pay vs. Bangla QR **2**

(e) CRR and SLR **2**

(f) AAOFI and IFSB **2**

(g) BFTN & RTGS **2**

(h) Regulatory forbearance and Moral Suasion **2**

Part E — Short Questions

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

10. Answer any five questions:

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

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

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

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

(e) Evaluate how monetary tightening affects banking sector liquidity and credit growth. **4**

(f) What is Bangla QR Code? **4**

(g) What is Takaful? **4**

(h) Define IRR. **4**