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MODEL QUESTION – SET 8

(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)* Briefly explain the quantitative credit control measures of a central bank. **5**

(b) What are the limitations of a pegged exchange rate system? **4**

(c) What do you understand by Central Bank's independence? To what extent, it is necessary in current Bangladesh's context. Please discuss. **2+5=7**

(d) List few reform activities Bangladesh has undertaken in recent times. **4**

2. *(a)* State and explain the functions of financial system in a modern economy. List key differences between banks and NBFIs. **6+4=10**

(b) Mention the advantages and disadvantages of mobile payment system. Describe e-money and list the popular forms of e-money. **6+4=10**

3. *(a)* Distinguish between the primary and secondary market. How does each serve the needs of investors and issuers? **8**

(b) What are the core objectives of Islamic finance and how do they align with Shariah Principles? **8**

(c) How do Islamic scholars ensure compliance with shariah in the development of financial products? **4**

4. *(a)* What is Foreign Direct Investment (FDI)? How FDI can help to boost up the economy of Bangladesh? **2+6=8**

(b) What are the compnants of Balance of Payment (BoP)? A country's BoP is always balanced. Discuss. **3+4=7**

(c) From the following information compute the financial account balance: Net Foreign Direct Investment 66,000; Net Portfolio Investment (40,000); Net wage earners remittance 50,000; Asset Funding 30,000; Errors and Omissions 10,000 (Amount in bn BDT). **5**

Part B — Mathematical Problem

(Answer any one question) Marks—10

5. Suppose the following table shows different forms of money of Bangladesh Economy (Billion of Tk.): Currency Outside Bank (2020: 1840, 2021: 1850, 2022: 1865); Demand deposit (1944, 1960, 1986); Current deposit (1362, 1358, 1376); Savings deposit (5780, 5968, 6105); Time deposit (4212, 4794, 5790).

(a) Calculate M1 and M2 money supply for each year and growth rate of M1 and M2 from the previous year. **6**

(b) Why are the growth rates of M1 and M2 different? Explain. **2**

6. *(a)* If a bank purchase 100 units of 90 days commercial papers with a par value of BDT 10,000 at a price of BDT 9,850; what is the yield of this investment? What is the total amount of profit in BDT? **8**

Part C — Case Study

(Solve any one case) Marks—20×1 = 20

7. Case-1: Managing Import Cover and Foreign Exchange Reserves

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

Bangladesh Bank closely monitors its foreign exchange reserves in terms of "import cover" — the number of months of imports the reserves could finance if all other inflows stopped. When import cover falls below a comfortable threshold, the central bank faces pressure to slow import growth, encourage remittance inflows, and potentially draw on external credit lines. Bankers have noted that immediate steps to preserve reserves, such as tightening LC margin requirements, can help in the short term but may also slow down legitimate trade financing that businesses depend on.

(i) Why do central banks track import cover as a key indicator of external sector health? **5**

(ii) What are the risks of allowing foreign exchange reserves to fall too low? **5**

(iii) How might tightening LC margin requirements affect legitimate trade financing for businesses? **5**

(iv) What other measures could Bangladesh Bank use to preserve reserves without unduly restricting trade? **5**

8. Case-2: Formal Remittance Channels versus Hundi

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

Despite government incentives such as cash bonuses for remittances sent through formal banking and MFS channels, a portion of remittance flows from Bangladeshi workers abroad continues to move through informal hundi networks, which often offer slightly better exchange rates or faster delivery to recipients in remote areas. This diversion reduces the foreign exchange that actually enters the formal banking system, even though the underlying earnings are real. Regulators are exploring ways to make formal channels more competitive without resorting to heavy-handed enforcement against migrant workers and their families.

(i) Why might migrant workers continue to use informal hundi networks despite formal incentives? **5**

(ii) What effect does the diversion of remittances through hundi have on Bangladesh's foreign exchange reserves? **5**

(iii) What structural changes could make formal remittance channels more competitive with hundi on speed and cost? **5**

(iv) Why is a purely enforcement-based approach to curbing hundi unlikely to succeed on its own? **5**

Part D — Understanding Terminology

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

9. Compare and contrast (any five):

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

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

(c) Credit card vs. Debit card **2**

(d) Hyper-inflation vs. Stagflation **2**

(e) Repo vs. Reverse repo **2**

(f) HTM and HFT Securities **2**

(g) Assymetric information & adverse selection **2**

(h) Conventional Bond vs. Islamic Sukuk Bond **2**

Part E — Short Questions

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

10. Answer any five questions:

(a) What is financial deepening? How does it relate to economic growth? **4**

(b) What is Taka Pay? **4**

(c) What is a Trust-cum-settlement Account? **4**

(d) What are different kinds of money mentioned in the monetary system? **4**

(e) Discuss the P/E ratio and its use in valuing a company's share. **4**

(f) What is Murabaha? **4**

(g) What is a Credit Guarantee Scheme? **4**

(h) What is meant by Economic Growth and Development? **4**