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MODEL QUESTION – SET 9

(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)* Do you think the Bangladesh Bank is considered as supreme monetary and banking authority? Discuss with its mandates under Bangladesh Bank Order, 1972. **10**

(b) What is financial stability? How central bank acts as Lender Of Last Resort (LOLR) to maintain financial stability? **4+6=10**

2. *(a)* Name the main regulators of the financial system of Bangladesh. Identify the roles of BSEC and BB to develop a vibrant securities market in Bangladesh. **4+6=10**

(b) Give example of five financial development indicators. **5**

(c) Clarify the following terms providing (two) examples for each: (i) Direct finance (ii) Indirect finance (iii) Money market instruments (iv) Capital market instrument (v) Debt securities. **5**

3. *(a)* State the advantages and disadvantages of cash payment system. Do you think interoperability among banks, MFS, and e-wallet will substantially affect the cash payment system? Please explain. **5+3=8**

(b) Define liquidity in financial institutions. Why maintaining adequate liquidity is crucial for banks? **2+4=6**

(c) Explain why do both surplus units as well as deficit units prefer indirect mode of finance over direct mode of finance. **6**

4. *(a)* What are the differences between primary and secondary markets? How does each serve the needs of investors and issuers? **4+4=8**

(b) Briefly explain the objectives of Islamic Banking. How Islam interprets 'Riba'? **5+2=7**

(c) Explain the permissibility of using Islamic Credit Card as per Shariah principles. **5**

Part B — Mathematical Problem

(Answer any one question) Marks—10

5. *(a)* Explain how banks create money through multiple deposit creation model. Assume that reserve requirement is 10% and initial deposit is Tk. 100. **10**

6. *(a)* An investors purchased a 6 months (182days) T-bill at a price of BDT 9500 which face value is BDT 10,000. If the T-bill is HTM, calculate its yield. **6**

(b) What is amortized yield of the bill in part (a) if it is sold after holding for 100 days at a price of BDT 9,800? **6**

Part C — Case Study

(Solve any one case) Marks—20×1 = 20

7. Case-1: Deposit Insurance and Confidence in Weaker Banks

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

When news broke that a mid-sized commercial bank was facing asset quality problems and a capital shortfall, some depositors rushed to withdraw funds, fearing the bank might fail. Bangladesh Bank and the deposit insurance scheme sought to reassure the public that insured deposits up to a specified limit would be protected even in the event of bank failure, but many small depositors were unaware that such a scheme existed or did not understand its coverage limits.

(i) What is the purpose of a deposit insurance scheme in a banking system? **5**

(ii) Why might depositors rush to withdraw funds even when a deposit insurance scheme exists? **5**

(iii) What are the limitations of deposit insurance in fully preventing a bank run? **5**

(iv) What steps could regulators take to raise public awareness of deposit insurance coverage? **5**

8. Case-2: Investor Demand for Shariah-Compliant Sukuk

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

When the government issued its first sovereign Sukuk, demand from both institutional and retail investors exceeded expectations, reflecting a large pool of investors who specifically sought Shariah-compliant investment options that had previously been limited in the domestic market. Some conventional bond investors also participated, attracted by competitive returns, but questioned how the underlying asset-based structure of the Sukuk differed from a conventional bond in terms of risk and legal claim in case of default.

(i) Why might Shariah-compliant investors have been underserved by the domestic market before this Sukuk issuance? **5**

(ii) How does the asset-based structure of a Sukuk differ from the debt-based structure of a conventional bond? **5**

(iii) What risk and legal-claim differences should conventional investors understand before investing in Sukuk? **5**

(iv) What effect could strong demand for sovereign Sukuk have on the broader development of Bangladesh's Islamic capital market? **5**

Part D — Understanding Terminology

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

9. Compare and contrast (any five):

(a) FDI vs. FPI	**2**
(b) Regulation vs. Supervision	**2**
(c) Mobile banking vs. Internet banking	**2**
(d) Current account vs. Capital account of Balance of Payment	**2**
(e) Sukuk and Takaful	**2**
(f) NPSB vs. BEFTN	**2**
(g) Financial Interrelation Ratio (FIR) and Financial Intermediation Ratio (FIMR)	**2**
(h) Free and Managed Float Exchange Rate System	**2**

Part E — Short Questions

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

10. Answer any five questions:

(a) What is Sustainable Finance?	**4**
(b) List two functions of money.	**4**
(c) Explain the central bank's role 'Banker to the government'.	**4**
(d) What is Sovereign Sukuk?	**4**
(e) What is the Principal Agent Problem?	**4**
(f) What is Deposit Insurance?	**4**
(g) What do you understand by the Managed Float Exchange Rate System?	**4**
(h) What does BFI stand for?	**4**

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