



INTI
International College Penang

FINAL
Examination Paper

(COVER PAGE)

Session : August 2018

Programme : Diploma In Finance (DIF)

Course : **FIN2153 FUNDAMENTAL OF BANKING**

Date of Examination : 10th December 2018 (Monday)

Time : 02:00pm-04:00pm Reading Time : NIL

Duration : 2 HOURS

Special Instructions :

This paper consists of **SIX (6)** questions. Answer any **FOUR (4)** questions in the answer booklet provided. All questions carry equal marks.

Materials permitted :

Non-Programmable Scientific Calculator

Materials provided :

NIL

Examiner(s) : **Ms. Eunice Mok Pei Sea**

Moderator : **Dr. Phua Lian Kee**

This paper consists of 3 printed pages, including the cover page.

INTI INTERNATIONAL COLLEGE PENANG
DIPLOMA IN FINANCE (DIF)
FIN2153: FUNDAMENTALS OF BANKING
FINAL EXAMINATION: AUGUST 2018 SESSION

Instructions: This paper consists of **SIX (6)** questions. Answer any **FOUR (4)** questions in the answer booklet provided. All questions carry equal marks.

Question 1

- a) Money has taken different forms through the ages, discuss the **FOUR (4)** functions that money have in common. (12 marks)
- b) Define the electronic payment system with an example. Give the **TWO (2)** factors that slow down the movement to a fully electronically payment. (8 marks)
- c) Explain how cigarettes could be called "money" in prisoner-of-war camps of World War II. (5 marks)

Question 2

- a) Central banks play an important role in managing a state's currency, money supply, and interest rates. Discuss the **FIVE (5)** objectives of a central bank to preserve the integrity of a country's financial institutions. (15 marks)
- b)
 - i) Identify the **FIVE (5)** most important factors for a good payments system. (5 marks)
 - ii) Country X has statutory required reserve ratio of 30% and currency drainage of 15%. Calculate the money multiplier and compare it with Country Y, a country where drainage is zero and required reserve ratio is 30% and comment on their money multiplier. (5 marks)

Question 3

- a) Financial system comprises a diversified range of institutions that serve the varied and complex needs of the domestic economy. What are the FIVE (5) main functions they perform in the financial systems? (15 marks)
- b) Discuss the TWO (2) main types of financial service that financial systems perform to reduce the costs of moving funds between borrowers and lenders. (6 marks)
- c) Distinguish between direct financing and indirect financing. (4 marks)

Question 4

- a) Islamic banking has become one of the most significant aspects of the modern global financial system due to its fast-growing industry. Identify the FIVE (5) key principles that can be found in Islamic banking worldwide. (10 marks)
- b) Merchant banking acts as financial engineer by providing a wide range of services for commencement operations of a business. Discuss the FIVE (5) functions of merchant bank. (15 marks)

Question 5

- a) A common starting point for explaining sukuk is to use bonds as a comparison but there are certain fundamental differences between them. Compare and contrast the FIVE (5) important differences between sukuk and traditional bonds. (15 marks)
- b) Compare the advantages/disadvantages of bank deposits compared to cash and treasury bills. (4 marks)
- c) What are the risk and reward for investment banks involved in underwriting a new security issue? (6 marks)

Question 6

- a) Regardless of who uses the apparatus of money-laundering, the operational principles are essentially the same. Discuss the THREE (3) stages of money laundering cycle with an example for each stage. (15 marks)
- b) What is your understanding about Shariah Advisory Council (SAC)? Explain the THREE (3) main functions of them. (10 marks)

- The End -

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