

**FACULTY OF BUSINESS****FINAL EXAMINATION**Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN2123 Fundamentals of Banking**
Semester & Year : Jan – April 2023
Lecturer/Examiner : Muhammad Firdaus Akmal
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (60 marks) : **FOUR (4) short answer questions. Answers are to be written in the Answer Booklet provided.**
PART B (40 marks) : **TWO (2) essay questions. Answers are to be written in the Answer Booklet provided.**
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple-choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 4 (Including the cover page)

PART A : SHORT ANSWER QUESTIONS (60 MARKS)

INSTRUCTION (S) : Answer all **FOUR (4)** short answer questions.

Write your answers in the Answer Booklet (s) provided.

Question 1

Banks offer a wide range of financial services. It is important for us to understand more the functions of a bank. Answer all the bank related questions below:

- a. Define bank. (1 mark)
- b. Explain the concept of direct finance. (5 marks)
- c. Describe **THREE (3)** theories why banks exist. (6 marks)
- d. State **THREE (3)** benefits of financial intermediation to lenders. (3 marks)

[Total: 15 marks]

Question 2

The development of financial markets has made the exchange of value for goods and services much easier. The introduction of money into the exchange process increases the speed and efficiency with which transactions take place.

- a. Illustrate the flow of funds between savers and borrowers. (7 marks)
- b. Based on the illustrations in (a), discuss any **EIGHT (8)** elements of nature of the flow of funds. (8 marks)

[Total: 15 marks]

Question 3

Monetary policy is the process by which the monetary authority of a country, typically the central bank or currency board, controls either the cost of very short-term borrowing or the monetary base, often targeting an inflation rate or interest rate to ensure price stability and general trust in the currency.

- a. Discuss any **THREE (3)** roles of the central bank.
(6 marks)
- b. According to Keynesian liquidity preference theory, an individual's hold money based on **THREE (3)** motives, briefly explain each of the motives.
(9 marks)

[Total:15 marks]

Question 4

At a basic level, a non-bank financial institution provides some banking services without meeting the legal definitions of a bank, or financial institutions operating without a license.

- a. Distinguish between banking and non-banking financial institution.
(6 marks)
- b. Elaborate any **THREE (3)** instruments of the money market
(9 marks)

[Total: 15 marks]

END OF PART A

PART B : ESSAY QUESTIONS (40 MARKS)

INSTRUCTION (S) : Answer all **TWO (2)** essay questions.

Write your answers in the Answer Booklet (s) provided.

Question 1

Laws may be legislated by the Parliament and regulations may be set through the Ministry of Finance or be stipulated by the relevant regulatory agency, Bank Negara Malaysia (BNM). BNM supervises banks to evaluate whether these rules are being obeyed.

- a. Examine **FIVE (5)** principles and actions of how BNM supervises the market conduct practices of financial service providers in protecting the interests and rights of financial consumers.

(10 marks)

- b. Demonstrate **FIVE (5)** ways BNM oversees e-money operations in promoting and soundness of e-money schemes, and therefore enhance users' confidence in the usage of e-money.

(10 marks)

[Total: 20 marks]

Question 2

Banks can be classified according to their different balance sheet structures. Their profits are derived from the income statement, a document that reports data on costs and revenues.

- a. Analyze retail banks' balance sheet structure.

(10 marks)

- b. Illustrate a simplified bank income statement with a table.

(10 marks)

[Total: 20 marks]

END OF EXAM PAPER