



ASSOCIATESHIP EXAMINATION

LEVEL II

THE MONETARY AND FINANCIAL SYSTEMS

[OLD SYLLABUS]

APRIL 2025

N.B.

1. Read carefully the instructions on the cover of the answer booklet.
2. The total number of questions in this paper is **EIGHT (8)**.
3. Answer a total of **FIVE (5)** questions.
4. Each question carries **20** marks. Where questions are subdivided, the marks for the subdivisions are shown in brackets.
5. Answers in listed note form are acceptable provided they are logically and clearly presented and the points made are adequately developed.
6. No aids such as calculators, books, dictionaries, papers, or mathematical sets are permitted in this examination.
7. Time allowed: **THREE HOURS**
8. Candidates must ensure that they answer questions in the appropriate answer booklets and **NOT on loose sheets** which may be used only as supplementary sheets. Such answers will not be marked.
- 9. DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
- 10. DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO**

ANSWER FIVE QUESTIONS ONLY

QUESTION 1

To what extent are the following financial assets liquid?

- a) Bank Acceptances (4 marks)
- b) Government Treasury Bills (3 marks)
- c) Gilt-Edged Securities (3 marks)
- d) Company Bonds (4 marks)
- e) Company Shares (3 marks)
- f) Sight Deposit (3 marks)

[Total Marks: 20]

QUESTION 2

- a) Write short notes on the Prudential Management of the Banking System. (10 Marks)
- b) Outline the role of each of the three (3) participants in the Foreign Exchange Market.
(10 Marks)

[Total Marks: 20]

QUESTION 3

List six (6) characteristics of money and explain each one. (20 Marks)

QUESTION 4

Countries with Current Account Deficits on Balance of Payments may either be increasing their Foreign Debts or running down their reserves, or both. If the deficit persists over time:

- a) What policy will you recommend that invariably affect Domestic Exchange? (14 Marks)
- b) What other three (3) effective alternative policies are available to solve re-occurring Current Account Deficits? (6 Marks)

[Total Marks: 20]

QUESTION 5

- a) Outline and explain in detail the three (3) properties common to many Derivative Instruments. (11 Marks)
- b) If the government makes a substantial Budget Surplus, but the surplus plus the replacement of Maturing Public Sector Securities is not sufficient for the monetary authorities to exercise the desired level of control over money supply, what alternative methods of control would you recommend which will have the right impact as the Public Sector Debt Repayment (PSDR)? (9 Marks)

[Total Marks: 20]

QUESTION 6

- a) Identify and explain in detail five (5) types of short-term finances available to a Corporate Firm. (15 Marks)
- b) With reference to the Foreign Exchange Market how will you distinguish between **Spot** and **Forward Transactions**? (5 Marks)

[Total: 20 Marks]

QUESTION 7

- a) How would you explain the Fixed Income Market of Ghana? (12 Marks)
- b) In line with liquidity principles, a bank must be able to arrange its resources in such a manner that it stays out of illiquidity. By what ways could a bank achieve this? (8 Marks)

[Total Marks: 20]

QUESTION 8

In a recent interview of Mr. Popoo Nkwantabisa, a Chartered Banker being considered for the position of Manager, Risk Department of a bank, he was informed that if he is successful, one of his core job roles will relate to the management of Foreign Exchange Risks. Identify and explain the three (3) main Foreign Exchange Risks that his corporate customers are likely to encounter. (20 Marks)

