



CHARTERED INSTITUTE OF BANKERS, GHANA

ASSOCIATESHIP EXAMINATION

LEVEL II

THE MONETARY AND FINANCIAL SYSTEM

OCTOBER 2022

N.B.

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

QUESTION 1

- a. Identify the main differences between the early monetarists or the quantity theorists, and modern monetarists. What consensus exists between the opinion of the Classicals, Monetarists and the Keynesians? **(7 Marks)**
- b. What are the methods through which the authorities could intervene in the operations of the money markets? **(8 Marks)**
- c. List five (5) key sources of finance real estate developers use to finance their housing projects.

(5 Marks)

[Total: 20 Marks]

QUESTION 2

- a) Outline the main benefits of financial intermediation. **(15 Marks)**
- b) Assuming you are a member of a panel set up to discuss a press release of the Central Bank. In the release, it was stated that the Monetary Policy Rate was maintained at 25% and Treasury bill rate was 13%. One panel member alluded to rumours circulating that the Central Bank wanted to avoid the criticism of over-lending to the Government, so it lent to Universal Banks and Government in turn, borrowed from the Universal Banks. How do you assess this information? **(5 Marks)**

[Total: 20 Marks]

QUESTION 3

What reasons underlie the imposition of financial regulations by the authorities and financial operators with regards to the operations of financial institutions? **[Total: 20 Marks]**

QUESTION 4

- a) Government borrowing from the banking system through the issue of government securities has a substantial impact on money supply. Discuss this statement with the aid of the relevant examples. **(15 Marks)**
- b) List the constraints that limit the growth of money supply. **(5 Marks)**

[Total Marks: 20]

QUESTION 5

Describe PSBR in the context of monetary policy. With appropriate examples, explain the normal methods available to the government for financing the PSBR.

(20 Marks)

QUESTION 6

The fact that the monetary authorities are unable to control **both** the growth of money supply and interest rates in a free market economy is widely acknowledged in monetary and financial circles. How would you explain this assertion? Use the appropriate diagram in your analysis.

(20 Marks)

QUESTION 7

Governments of developing countries like Ghana show extreme worry when current account deficits on balance of payments either keep increasing their foreign debts or running down their reserves, or both. In an economy that operates an exchange rate regime outside the free market system, if the deficit persists over time;

- a) What policy will you recommend that invariably affects domestic exchange of its currency?
- b) What other effective alternative policy is available to solve re-occurring current account deficits?

(20 Marks)

QUESTION 8

It has been stated that “a weakening currency, high debt and increasing global food and oil prices are a dangerous combination for Ghana”. The recent free fall of the Ghanaian cedi has given some credence to that assertion. Discuss the causes for the falling cedi and the measures the authorities have put in place to address that trend?

(20 Marks)