



**CHARTERED INSTITUTE OF BANKERS, GHANA**

**ASSOCIATESHIP EXAMINATION**

**LEVEL II**

**THE MONETARY AND FINANCIAL SYSTEM**

**APRIL 2024**

**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 questions 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**

## ANSWER FIVE QUESTIONS ONLY

### QUESTION 1

- a) In a Modern Economy, a Medium of Exchange needs not necessarily possess *value-in-use*: it is sufficient for it to possess only *value-in-exchange*.

Explain this statement with relevant examples. (7 Marks)

- b) The Opportunity Cost of liquidity is the interest that the holder of a Financial Asset sacrifices. Discuss this concept with reference to Cash, and Interest-Bearing Financial Assets.

(13 Marks)

**[Total: 20 Marks]**

### QUESTION 2

Identify and explain the ingredients and form of:

- a) Demand-Pull Inflation (6 Marks)

- b) Cost-Push Inflation (14 Marks)

**[Total: 20 Marks]**

### QUESTION 3

- a. How would you describe Financial Intermediation as a form of business activity? (5 Marks)

- b. With reference to its revenue streams and cost components, consider how Profitability of a Financial Intermediary could be enhanced within the ambit of caution. (15 Marks)

**[Total: 20 Marks]**

### QUESTION 4

As a means of raising additional funds to supplement the efforts of the formal Financial Intermediaries, the Government of Ghana encourages the operation of Non-Institutionalised or Traditional Credit Delivery System.

Discuss the structure of the Traditional/Informal Credit Delivery System of Ghana. (20 Marks)

## QUESTION 5

The challenges that confronted the Banking Sector in recent times have led to what has been termed **‘panic withdrawals’**.

- a) Identify four (4) measures the banks could use to address the effects of the **‘panic withdrawals’**.  
(8 Marks)
- b) Outline six (6) measures that the banks previously relied on to enhance Deposit Mobilization.  
(12 Marks)

**[Total: 20 Marks]**

## QUESTION 6

Using the **Liquidity Preference Approach** and the **Risk Approach**, explain the slope of the Normal Yield Curve.  
(20 Marks)

## QUESTION 7

Assume you have been delegated by the Chief Executive Officer of a Financial Institution to represent her at a seminar where she is to deliver a speech on the topic: **“Though the objectives of Macro-Economic Policy are logically consistent, they are unattainable simultaneously”**.

Outline such objectives and identify their practical incompatibility or major conflicts. Recommend a useful procedure towards a satisfactory attainment of the goals of Macro-Economic Policy.

**(20 Marks)**

## QUESTION 8

In a developing country where there has been persistent Current Account Deficit on the Balance of Payments, identify and discuss the most viable measures that could be used to rectify the Current Account Deficit.  
(20 Marks)