



Course No: MGNE 3312 Course Title: banking & Financial operation Manag. Date: 08 /06/2017 No. of Questions: (6) Time: 2 Hours Using Calculator (Yes)	University of Palestine  Final Exam 2nd Semester 2016/2017 Total Grade: (50)	Instructor Name: Mr. Abdel Fatah Afifi Student No.: ----- Student Name:----- College Name:----- Dep. / Specialist:----- Using Dictionary: (No)
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Answer the following questions:

Q 1: Select (T) for true statements and (F) for wrong ones:

No	Statement	T / F
1	Required reserve ratio is the ratio of reserves to deposits to meet official liquidity requirements	
2	Effectively managing operational risk requires a framework designed to turn raw operational risk data into information that support managerial decision-making.	
3	Where there is certainty there is no risk probability	
4	A risk lover will choose securities which offers the higher possible return because risk increases his/her utility	
5	The reserve ratio is based on the level of prime assets that are to be held by banks against their assets.	
6	Individual banks may choose to have larger reserves than required	
7	The capital market is the market in which prime borrowers are able to access short-term and/or temporary funding.	
8	Dividends on preference shares are usually fixed-rate dividends and they have preference over dividends on ordinary shares.	
9	N&C can be used immediately for payments	
10	It is notable that banks respond to the demand for loans without even knowing that they are creating money.	
11	RR is a proportion of the amount of deposits the banks have.	
12	In some countries N&C cannot be used to satisfy the RR	
13	if r is 8%: the multiplier= $1 / 0.08 = 12.5$, meaning that for every LCC 10 million increase in the original bank deposit the money stock increases by LCC 100 million	
14	derivatives are not instruments of debt, shares/equity and so on, but hedging and speculation instruments.	

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Q 2: Match the following terms with accurate definitions:

No.	Term	Answer	Definition
1	open market operations		merely instruments that lead to the shifting of a deposit amount from one bank account to another
2	capital market		is a statutory requirement in terms of which banks are required to hold on deposit with the central bank (CB) an amount of funds
3	rate of inflation		the market for long-term capital
4	Money		the relationship between the growth rate in the money stock and price developments
5	reserve requirement		central bank operates in the money and foreign exchange markets
6	Participation interests (PIs)		claims on investment vehicles

Q 3: There are a number of reasons to classify shares / equities as financial instruments, what are they?

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Q 4: Complete the following business abbreviations and acronyms.

1. b2b IBM: -----
2. b2cb IBM: -----
3. cb2b IBM: -----
4. LTDM: -----
5. STDM: -----
6. N&C: -----
7. RR: -----
8. KIR: -----

Q 5: Define the following terms:


1. The share market :

2. Ordinary shares:

3. Preference shares :

4. Issue (primary market):

5. Trading (secondary market):

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6. The bond market :

7. Clearing :

8. Settlement :

Q 6: If r is 8%, calculate:

1. The multiplier?

2. Money stock creation when LCC 10 million increase in the original bank deposit?

Good Luck