Summer Examinations 2015

ACC101315N

Module Title: Principles of Banking
Level: Four
Time Allowed: Two hours plus 15 minutes reading time. Students must not commence answering the questions until the reading time has ended.

Instructions to students:
- Enter your student number **not** your name on all answer books.
- During the 15 minutes reading time, students **are** permitted to make notes on the examination paper but **not** on the answer book. Students should begin answering the questions **after** the reading time has ended.
- **Section A** – Answer **both** questions (40% weighting).
- **Section B** – Answer **four** out of **seven** questions (60% weighting).
- Answer the questions in the answer book provided.

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Section A

Answer both questions.

1. Define and explain, with the use of examples, the following terms:

   i. Monetary Policy (3 marks)
   ii. Forward Contract (3 marks)
   iii. Investment Bank (3 marks)
   iv. Securitisation (3 marks)
   v. Lender of Last Resort (3 marks)
   vi. Moral Hazard (3 marks)
   vii. Leverage (3 marks)
   viii. Credit Risk (3 marks)
   ix. Hedging (3 marks)
   x. Delegated Monitoring (3 marks)

2. Outline and discuss the functions and importance of financial intermediaries in an economy.

   (10 marks)

   (Total: 40 marks)

End of Section A
Section B follows overleaf
Section B

Answer four out of seven questions.

3. Explain at least three theories of why financial intermediaries exist. (15 marks)

4. Discuss the risks that banks face and use examples to describe how they can be managed. (15 marks)

5. Why are banks more regulated compared to other non-bank financial intermediaries? (15 marks)

6. Define and explain three types of financial derivatives and discuss how they are used in risk management. (15 marks)

7. Discuss the main changes in UK Banking regulation since 1987 and the implications on the structure of banking today. (15 marks)

8. Describe and explain the role of the Bank of England. (15 marks)

9. What is central bank independence and why is it important for economic growth? (15 marks)

(Total: 60 marks)