

MIDTERM EXAMINATION

Time: 60 min
Marks: 39

Question No: 1 (Marks: 1) - Please choose one
Pension funds are the example of:

- ▶ **Financial intermediaries**
- ▶ Financial markets
- ▶ Borrowers
- ▶ Lenders

Question No: 2 (Marks: 1) - Please choose one

In Pakistan regulation and supervision of the banking industry is settled by:

- ▶ National bank
- ▶ SECP
- ▶ **State bank**
- ▶ Ministry of finance

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Question No: 3 (Marks: 1) - Please choose one

Through which one of the following central bank influences the money supply in an economy:

- ▶ Monetary policy
- ▶ Prudential regulations
- ▶ **Open market operation**
- ▶ Banking ordinance

Question No: 4 (Marks: 1) - Please choose one

Buying of securities results in printing of new money and lowering the supply of specific security this process is known as:

- ▶ Purchase of securities
- ▶ **Repurchase of securities**
- ▶ Discounting of securities
- ▶ Rediscounting of securities

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Question No: 5 (Marks: 1) - Please choose one

Financial regulators, such as the _____ supervises the capital markets in their respective countries to ensure that investors are protected against frauds.

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- ▶ State bank
- ▶ International chamber of commerce
- ▶ **Security & exchange commission**
- ▶ Banking inspection department

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Question No: 6 (Marks: 1) - Please choose one

Which one of the following is **NOT** the division of exchange policy department?

- ▶ Policy division
- ▶ Exchange companies division
- ▶ Investment division
- ▶ **Recruitment division**

Question No: 7 (Marks: 1) - Please choose one

Banks seek to maximize _____ for a given amount of risk on their balance sheet.

- ▶ **Profitability**
- ▶ Loans
- ▶ Deposits
- ▶ Securities

Lecture # 28

Banks seek to maximize profitability for a given amount of risk on their balance sheet.

Question No: 8 (Marks: 1) - Please choose one

The amount of capital a bank is required to hold is the function of which one of the following?

- ▶ The amount of required reserve
- ▶ The credit rating requirement
- ▶ **The amount and quality of assets**
- ▶ Leverage requirement

Lecture # 16

The amount of capital a bank is required to hold is a function of the amount and quality of its assets.

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Question No: 9 (Marks: 1) - Please choose one

Mutual funds belong to a group of financial intermediaries known as:

- ▶ **Investment companies**

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- ▶ Banks
- ▶ Pension funds
- ▶ Insurance companies

Question No: 10 (Marks: 1) - Please choose one

Which one of the following is responsible for overall governance of the mutual funds?

- ▶ **Directors**
- ▶ Government
- ▶ Government's agent
- ▶ Shareholders

Lecture # 22

The directors of the fund are responsible for overall governance of the fund.

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Question No: 11 (Marks: 1) - Please choose one

ACAC is the acronym of which of the following?

- ▶ Access customer advocate center
- ▶ **Agricultural credit advisory committee**
- ▶ Agricultural credit accounting committee
- ▶ Agricultural credit accounting commission

Question No: 12 (Marks: 1) - Please choose one

Which of the following functions is **NOT** performed by the audit department?

- ▶ Financial audit
- ▶ Operational audit
- ▶ Information technology audit
- ▶ **Research & development**

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Question No: 13 (Marks: 1) - Please choose one

Which of the following stands for GFS?

- ▶ Government Finance Statistics
- ▶ Global Field Services
- ▶ **Global Financial System**
- ▶ Global Forecast System

Question No: 14 (Marks: 1) - Please choose one

Which of the following countries got the first loan from World Bank?

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- ▶ Germany
- ▶ Norway
- ▶ **France**
- ▶ United States of America

Question No: 15 (Marks: 1) - Please choose one

Which of the following channels of commercial banks is known as computerized telecommunications device?

- ▶ Branch
- ▶ **Automated teller machine**
- ▶ Telephone banking
- ▶ Online banking

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Question No: 16 (Marks: 1) - Please choose one

Which of the following role is played by the board of directors of a bank?

- ▶ Make deposits
- ▶ Make loans
- ▶ **Oversee bank activities**
- ▶ Handle withdrawals

Question No: 17 (Marks: 1) - Please choose one

Which one of the following is responsible for the supervision of non banking financial institutions?

- ▶ **Securities & exchange commission**
- ▶ State Bank
- ▶ Chamber of commerce
- ▶ Ministry of finance

Lecture # 19

The responsibility for supervision of nonbank finance companies has been separated and transferred to Securities Exchange Commission.

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Question No: 18 (Marks: 1) - Please choose one

In which of the following forms the National Investment Trust units are traded?

- ▶ Share
- ▶ Debenture
- ▶ **Bond**
- ▶ Certificate

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Lecture # 23

Mutual Funds were introduced in Pakistan in 1962, with the public offering of National

Investment (Unit) Trust (NIT) which is an open-end mutual fund in the public sector.

Question No: 19 (Marks: 3)

For investment purpose customers always judge the profitability of the bank. To attract more customers how a bank can enhance its profitability?

Answer:

Banks can increase their customer base and their profitability by providing all services under one roof namely traditional banking services and the more modern financial services like investment banking, credit card services, mutual fund services, life insurance products. Also by charging customers based on their credit profile i.e higher charges for low credit worthy clients they can increase their charges and fees. Also by developing new products which will be used by people in their everyday life and then charging a small fee for the same the banks can increase their profits.

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Question No: 20 (Marks: 3)

Define merchant banks.

Answer:

Merchant banks are those banks which are involved in any type of trading. These kind of banks also provide shares to customers. They also buy and sell companies. They raise capital for the companies in various ways like IPO, Debt instruments and convertible instruments.

Question No: 21 (Marks: 5)

Pakistan is not able to sustain growth over the long term. Do you agree with this statement? Give reasons to support your answer.

Answer:

Pakistan has been trying like all its neighbours to achieve a growth in excess of 7% however there have been multiple of factors that has pegged it back namely, the US led war in Afghanistan, the earthquakes, which have happened, the riots that have taken place in Karachi, global slowdown, the

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ever present threat of a war with India. In spite of all these factors Pakistan economy has shown great strength and determination in achieving growth of 7% in few years.

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Question No: 22 (Marks: 5)

Banks provide investment facilities to its customers. How customers can judge the management soundness and profitability of the banks?

Answer:

The financial statements of the banks are not easy for everyone to interpret. As a result in order to judge the management soundness what one can do is check the various operational and profitability ratios of the concerned banks against the ones shown by the good banks and against the averages for the banking industry. One of the ratio is the amount of income generated against the expenses incurred to earn the same. This will enable us to know the margin of safety. Another way can be to compare the interest income against interest expense. Also one can compare how much fixed expenses are being incurred, how much are the overheads etc and compare with other banks to see the soundness of management.

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Question No: 23 (Marks: 5)

If State Bank has capital shortage and wants to borrow, what are the possible sources through which it can get loan?

Answer:

In order to raise liquidity the SBP can do the following:

- 1) Sell securities in the open market and raise cash.
- 2) Change the reserve requirements of the bank.
- 3) Borrow from domestic lenders and financial institutions.
- 4) Issue new domestic bonds.
- 5) Borrow from external agencies like the IMF or ADB.
- 6) Issue foreign bonds to Pakistanis residing abroad.
- 7) Issue foreign bonds to the world markets.

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Question # 1 of 15

All of the following are included in financial system EXCEPT:

Money

Central banks

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Financial markets

Credit cards

Question # 2 of 15

Mr. A wants to build his home for this purpose he will apply for which of the following type of loan?

Indirect auto loan

Corporate loan

Auto loan

Mortgage loan

Question # 3 of 15

Which of the following department is charged with computation of domestic public debt?

Banking inspection department

Finance department

Legal services department

Economic policy department

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Question # 4 of 15

Which one of the following is the financial market where transactions are carried out in the form of bonds?

Equity market

Bond market

Forex market

Stock market

Question # 5 of 15

In Pakistan monopoly for the issuance of currency notes lies with:

National Bank

Central Bank

Habib Bank

President of Pakistan

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Question # 6 of 15

In which of the following fund there is high degree safety but limited price rise potential?

Balanced fund

Growth funds

Income funds

Money market funds

Question # 7 of 15

Lender of the last resort is a function of:

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Domestic market & monetary management department

Economic policy department

Research department

Finance department

Question # 8 of 15

Which of the following bank is called as lender of last resort?

Saving bank

State bank

Foreign exchange bank

Investment bank

Question # 9 of 15

When the autonomous power of the State bank was further strengthened by introducing three amendments?

Aug 21, 1978

Dec 21, 1989

Jan 21 1997

Oct 21, 2000

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Question # 10 of 15

How many ICP funds are floated in the Pakistani market till now?

22

26

29

32

Question # 11 of 15

Which of the following indicator reflects the ability of banks to support present and future operations?

Earnings and profitability

Market supply

Market risk

Market demand

Question # 12 of 15

Family representation on the Board of Directors of the banks where they hold majority ownership has been limited to which of the following?

15%

20%

25%

30%

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Question # 13 of 15

Non-government financial institutions are registered with which of the following?

Provincial co-operative department

Registrar of companies

Registrar of cooperative societies

Registrar of partnership

Question # 14 of 15

A foreign correspondent of issuing bank that advises the beneficiary of letter of credit is known as:

Confirming Bank

Issuing Bank

Investment Bank

Advising Bank

Question # 15 of 15

One restriction in case of saving account is the unlimited withdrawals up to the extent of deposit in the account. This restriction by the bank is known as:

Loan cover

Loan clues

Loan favorite

Loan covenants

Which one of the following introduced banking regulations?

State bank

Government

Securities & exchange commission

International chamber of commerce

State Bank of Pakistan commenced its operation on:

Sept 1, 1947

July 1, 1948

July 1, 1949

August 1, 1964

[LESSON 6](#)

Physical infrastructure includes:

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Technological expertise

Material
Electricity

All of the given options

LESSON 14

Ref:

The physical infrastructure includes power plants, power grids, oil and natural gas refineries, water treatment facilities, aqueducts, highways, railroads, ports, and hospitals.

AND

Physical infrastructure includes airports, bridges, tunnels, roads, ports, and other fixed portions of transportation systems, power generation and distribution facilities, water and waste facilities, government buildings, and public arenas.

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How many teams are dedicated to the financial & operational audit by the audit department?

2

3

4

5

LESSON 10

Audit has three dedicated teams for Financial & Operational audit and one team for I.T audit.

Foundation of the banks is shaken due to which one of the following?

Capital requirement
Reserve requirement

Loan quality

Value of security

Lecture # 16

Loans are a bank's primary asset category and when loan quality becomes suspect, the foundation of a bank is shaken to the core.

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How many teams are dedicated to the IT audit by the audit department?

- 1**
- 3
- 5
- 7

LESSON 10

Audit has three dedicated teams for Financial & Operational audit and one team for I.T audit.

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Which one of the following is the best describes the word ISC?

International security conference

International standards council
Integrated satellite control

Investment service cell

Lecture # 7

Investment Services Cell (ISC)

The New York Stock Exchange is an example of:

A financial instrument

A central bank

A financial market

A Financial institution

Ref:

A good example of a financial market is a stock exchange.

Consultations with the IMF are a core function of:

Economic Policy Department

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Bank inspection department
Domestic market & monetary management department
Banking surveillance department
Lecture # 9

ADB is the abbreviation of:

Asian development bank

Asian domestic bank
Agricultural development bank
African development bank

Lecture # 9

ADB: Asian development Bank.

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Which of the following have direct relation with the increase in foreign remittances?

Foreign direct investment
Foreign debts

Foreign exchange reserves

New relations

Lecture # 14

Foreign remittances will help in building up the foreign exchange reserves, thereby reducing the demand on the public debt.

The life insurance company provides insurance for all of these except:

Life insurance
Annuities
Pension funds

Voyage

Lecture # 2

Life insurance companies, which sell life insurance, annuities and pensions products.

Which of the following organization is established with a view of liberalization of international trade?

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World Bank

World trade organization

International monetary fund

Asian development bank

Lecture # 12

(WTO) is an international organization designed to supervise and liberalize international trade.

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All of the followings are the risk commercial banks faced EXCEPT:

Liquidity risk

Credit risk

Interest rate risk

Capital adequacy risk

Lecture # 16

Bank Crisis: Risks include liquidity risk (the risk that many depositors will request withdrawals beyond available funds), credit risk (the risk that those who owe money to the bank will not repay), Interest rate risk (the risk that the bank will become unprofitable if rising interest rates force it to pay relatively more on its deposits than it receives on its loans), among others.

How many countries are the members of Asian development bank from all over world?

15

17

19

20

Lecture # 12

ADB now has 67 members - of which 48 are from within Asia and the Pacific and 19 outside.

Which one of the following is an entity responsible for the monetary policy of its country?

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Commercial bank

Central bank

Ministry of finance

Security and exchange commission

In which year Asian development bank started its operation in Pakistan?

1956

1968

1974

1982

Lecture # 12

ADB started its operations for Pakistan in 1968.

Currency and bank reserves together make up the monetary base called:

M1 & M2

M3 & M5

M2 & M5

M1 & M3

Lecture # 4

Currency and bank reserves together make up the monetary base, called M1 and M2.

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Which of the following is the favorite sector in which investors have interest?

Agricultural

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Corporate

Banking
Small & medium

Lecture # 14

With the rapid growth in Pakistan's economy, foreign investors are taking a keen interest in the corporate sector of Pakistan.

Mutual funds are managed by some specialists called:

Banks

Money managers

Insurance companies

Leasing companies

Lecture # 22

Mutual funds are operated by money managers

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Fiscal policy is the responsibility of:

Ministry of economic affairs

Ministry of finance

State bank of Pakistan

Ministry of trade & commerce

The market which facilitates the trading of short term debt financing is:

Capital market

Derivative market

Money market

Forex market

GDP can be defined as:

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A measure of the total flow of goods and services produced over a specified time period, usually a year

Sum of the money values of all the final goods and services produced in a year by the residents

A measure of the money value of goods and services available to a nation from economic activity

How much the average person makes in that country

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