

# International Islamic University Chittagong

## Department of Economics & Banking

Mid Term Examination: Spring-2023

Program: MSS in Economics and Banking

Course Code: BNKG-5205

Course Title: Financial Markets and Institutions

Time: 2 Hours

Full Marks: 30

*Answer the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.*

- |     |     |                                                                                                                                                                                                                                |   |       |               |
|-----|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-------|---------------|
| 1.  | (a) | Why does increased volatility in financial markets with respect to price of financial assets, interest rates and exchange rates foster financial innovation?                                                                   | 4 |       | Remembering   |
|     |     |                                                                                                                                                                                                                                |   | CLO-1 |               |
|     | (b) | Explain the principal roles of financial assets.                                                                                                                                                                               | 2 |       | Evaluate      |
|     | (c) | What impact is the current geopolitical climate having on emerging market and how can investor navigate the risks and opportunities in these markets?                                                                          | 4 |       | Remembering   |
| 2.  | (a) | "All financial intermediaries provide the same economic functions. Therefore, the same investment strategy should be used in the management of all financial intermediaries" Do you agree with this statement or not? Explain. | 4 |       | Analyze       |
|     |     |                                                                                                                                                                                                                                |   | CLO-3 |               |
|     | (b) | Explain how a financial intermediary reduces the cost of contracting and information processing.                                                                                                                               | 3 |       | Understanding |
|     | (c) | Explain the ways of solving the different types liabilities.                                                                                                                                                                   | 3 |       | Analyze       |
| 3.  | (a) | How has Fisher's classical approach influenced contemporary economic thinking? Are there any lessons we can draw from this theory for understanding today's economic challenges?                                               | 5 |       | Evaluate      |
|     |     |                                                                                                                                                                                                                                |   | CLO-2 |               |
|     | (b) | The Liquidity preference theory suggests that the interest rate is determined by the supply and demand for money. Explain this relationship and how it influences the broader economy.                                         | 5 |       | Analyze       |
| Or, | (d) | Explain the determinants of the structure of interest rates.                                                                                                                                                                   | 5 |       | Evaluate      |
|     | (e) | What are the different types of risk that financial institutions face in their Asset -Liability Management activities? Discuss each risk in details.                                                                           | 5 |       | Analyze       |
|     |     |                                                                                                                                                                                                                                |   | CLO-3 |               |