



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CANDASTRAL ZONE, NNAMDI AZIKIWE
EXPRESSWAY, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_1 EXAMINATION

Course code: **BFN304**

Credit unit: **3**

Course Title: **FINANCIAL SYSTEMS**

Time Allowed: **2½ hours**

Note: **1. Attempt question number (1) and any other three (3).**

2. Question number one is compulsory and carries 25 marks, while the other questions carry 15 marks each.

3. Present all your points in coherent and orderly manner

Question 1(25mks; Compulsory)

a. The financial system is basically a system of interaction between fund suppliers and fund users.

Required: i. Mention any **two** sources of rewards available to fund suppliers and fund users respectively in the financial system.(**4mks**)

ii. State the means by which funds may *leak* out of and be *injected* into the financial system.(**2mks**)

b. Explain briefly the difference between the **Real** and **Financial** sectors of an economic system.(**4mks**).

c. Outline any **five** roles of the Financial System in an economy.(**10mks**)

d. Name any **five** global financial institutions known to you.(**5mks**)

Question 2(15mks)

a. State **three** main players in the International Financial System.(**6mks**)

b. Briefly describe the events that characterized the following phases in the evolution of the Nigerian financial system:

i.Foundation phase and .ii. Expansion phase.(**4mks**)

(c) Mention any **five** institutions that regulate the Nigeria financial system.(**5mks**)

Question 3 (15mks)

(a) What is a financial market?(**2mks**)

(b) State and briefly describe any **three** qualitative characteristics of money market instruments (**6mks**).

(c) Differentiate a Primary financial market from a Secondary market (**4mks**).

(d) Outline any **three** functions of the money market.(**3mks**)

Question 4(15mks)

- a. Mention any **three** functions of each of the following:
i. Central Bank ii. Commercial Banks iii. Merchant Banks. **(9mks)**.
- b. State any **three** merits of Universal banking.**(6mks)**

Question 5(15mks)

- a. Explain briefly the concept of "*permissibility*" in Islamic banking.**(3mks)**
- b. Briefly differentiate Islamic banking from conventional banks in relation to:
i. Interest payment/receipt ii. Principles of morality iii. Liquidity risk. **(6mks)**
- c. State and briefly explain any **three** peculiar features of Islamic banking system.
(6mks)

Question 6(15mks)

One major development in commercial banking in Nigeria was the requirement by government that commercial banks should establish branches in the rural areas.

Required:

- a. Briefly describe the concept of rural banking **(3mks)**.
- b. Mention **three** government incentives to participating commercial banks aimed at encouraging the development of rural banking in Nigeria **(3mks)**
- c. Outline any **five** objectives of rural banking.**(5mks)**
- d. State briefly any **four** factors responsible for the failure of rural banking in Nigeria.**(4mks)**.