

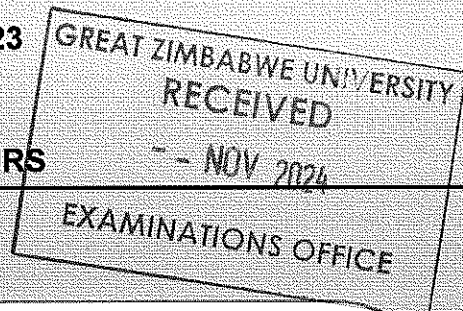


**HEBERT CHITEPO SCHOOL OF LAW AND BUSINESS  
SCIENCES**

**DEPARTMENT OF ECONOMICS AND FINANCE**

**MAIN EXAMINATION**

<b>BACHELOR OF COMMERCE</b>	<b>PART 1 SEMESTER 2</b>
<b>COURSE</b>	<b>BANKING THEORY AND PRACTICE</b>
<b>CODE</b>	<b>HBF123</b>
<b>DATE</b>	
<b>DURATION</b>	<b>3 HOURS</b>



**INSTRUCTIONS TO CANDIDATES**

- 1. THE PAPER COMPRISES 5 QUESTIONS.**
- 2. YOU ARE REQUIRED TO ANSWER ANY FOUR QUESTIONS.**
- 3. BEGIN THE ANSWER TO EACH QUESTION ON A FRESH PAGE OF THE ANSWER BOOKLET.**
- 4. NON-PROGRAMMABLE SCIENTIFIC CALCULATORS ARE ALLOWED INTO THE EXAMINATION.**
- 5. CANDIDATES WILL OBTAIN CREDIT FOR SHOWING ALL WORKINGS.**

### Question 1

1.1 Explain the meaning of the following terms as they are used in financial markets;

- |                         |         |
|-------------------------|---------|
| 1.1.1 Adverse selection | 2marks  |
| 1.1.2 Moral hazard      | 2 marks |
| 1.1.3 Screening         | 2 marks |
| 1.1.4 Signalling        | 2 marks |
| 1.1.5 Shadow banking    | 2 marks |

1.2 Discuss the impact of technological advancements, such as online banking and fintech on the landscape of financial intermediation

15 marks

**Total** **25 marks**

### Question 2

2.1.1 Discuss the main services offered by banks

15 marks

2.1.2 Can you explain the concept of disintermediation and its impact on financial intermediaries?

10 marks

**Total** **25 marks**

### Question 3

3.1 What are the main functions of stock exchanges in the financial market ecosystem?

8 marks

3.2 Distinguish Islamic banking from Western banking.

10 marks

3.3 Could you explain the key features and benefits of online banking compared to traditional brick-and-mortar banking?

7 marks

**Total** **25 marks**

### Question 4

4.1 Explain why banks engage in syndicated lending

10 marks

4.2 Discuss the different stages of a syndicated lending process. **15 marks**  
**Total** **25 marks**

**Question 5**

5.1 Why are Open Market Operations (OMO) the most popular monetary policy tool?  
**10 marks**

5.2 What are the main arguments put forward by the free-banking theorists?  
**15 marks**  
**Total** **25 marks**

**End of the Examination**