



**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA**

CSUC SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

END OF FIRST SEMESTER EXAMINATIONS – 2019/20 ACADEMIC YEAR

LEVEL 300

CSBF 337: FINANCIAL REGULATIONS AND COMPLIANCE

DECEMBER, 2019

70 MARKS

TIME ALLOWED: 2 HRS

GENERAL INSTRUCTIONS TO CANDIDATES:

- Answer **three** questions in all:
- Answer **ALL** questions from Section A and **one** questions from Section B.
- Write your index number on top of the question paper and every page of the answer booklet used.

Examiner: Nkukporu Etse

SECTION A: (50MARKS)

QUESTION 1.

A. Explain the following as approaches to measure interest rate risk.

- GAP (2marks)
- GAP analysis (2marks)
- Positive Gap (3marks)
- Negative Gap (3marks)
- Interest rate (2marks)

B. Consider the following Balance sheet extract for ABC Bank.

Expected Balance Sheet for ABC Bank

	ASSETS(GHS)	YIELD (%)	LIABILITIES(GHS)	COST (%)
Rate sensitive	500	8.0	600	4.0
Fixed rate	350	11.0	220	6.0
Non earning	150		100	
			¢ 920	
Equity			¢80	
TOTAL	1,000		1,000	

Calculate the

- Net interest income (4marks)
- Net interest margin (4marks)
- GAP (4marks)
- As a financial analyst, interpret the value of GAP (3marks)

C. State three (3) circumstances under which the Central bank of Ghana may revoke a banks license (3marks).

QUESTION 2

- a. State and explain the five (5) divisions of loans (10marks)
- b. Explain the following;
 - i. Overdue loan (2marks)
 - ii. Non- performing loan (2marks)
- c. Classify the five (5) divisions of loan in A into overdue loan and non- performing loan. (4marks)
- d. Differentiate between Overdue loan and Non- performing loan (2marks)

SECTION B: (20MARKS)

QUESTION 3.

- a) State the three (3) broad functions of the Bank of Ghana (3marks).
- b) Explain the term “level playing field” in promoting competition and fairness in the financial market (2marks).
- c) State any four (4) purposes of financial regulation whether self-regulatory or imposed by the authorities (4marks).
- d) Explain the three types (3) of government debts and indicate how they are financed by the Central bank of Ghana. (9marks).
- e) What are the restrictions on the use of the word “bank” (2marks).

QUESTION 4.

- a. Discuss the concept of capital adequacy as applied to financial regulation (10marks)
- b. State any five (5) causes of deterioration of capital adequacy (10marks)