Money & Banking Questions

1997 Q5

(a) Define the Broad Money Supply (M3). (15 marks)

(b) Explain, with the aid of an example, how the commercial banks can create credit (money). (30 marks)

(c) Outline the functions of the Central Bank. (30 marks)
[75 marks]

1999 Q7

(a) State and explain **FIVE** factors which affect the foreign exchange value of the Irish currency. (25 marks)

2000 Q6

6. (a) Commercial banks have the ability to create credit.
(i) Explain how the commercial banks can create credit.
(ii) State and explain **THREE** limitations on banks' power to create credit.
(35 marks)

(b) A bank wishes to be as profitable as possible, yet it must retain sufficient funds to meet its customers' demands for cash.
How does it attempt to reconcile these conflicting objectives? (20 marks)

(c) Trace the likely economic effects if:-
(i) the supply of money grows at a **faster** rate than a country's production of goods and services;
(ii) the supply of money grows at a **slower** rate than a country's production of goods and services. (20 marks)
[75 marks]

2002 Q5

(a) (i) Explain how it is possible for banks to create credit.

(ii) State and explain **THREE** limitations on the amount of credit which banks can create.
(30 marks)

(b) Explain how an increase in the use of 'plastic money' (credit cards, etc.) by customers affects the ability of banks to create credit.
(15 marks)

2003 Q5

(a) Discuss the ways in which money can contribute to the smooth working of an economy.
(20 marks)

(b) Explain the likely economic effects if:

(i) the supply of money grows at a **faster** rate than a country's production of goods and services

(ii) the supply of money grows at a **slower** rate than a country's production of goods and services.
(20 marks)

2005 Q7

(a) A bank needs to keep a balance between its twin objectives of **liquidity** and **profitability.**
Explain the underlined terms. How does the bank reconcile these twin objectives? *(20 marks)*

(b) The Central Bank (now called the Central Bank and Financial Services Authority of Ireland) continues to play a very important economic role in the Irish economy.
Explain the role it plays in the Irish economy. *(30 marks)*

(c) The **euro** is now well established as a currency in Ireland. Discuss the economic effects which the introduction of the euro has had on:
- Irish consumers;
- Irish exporters and importers. *(25 marks)*

[75marks]

2006 Q7

(c) Outline the economic role played by **TWO** of the following international banking organisations:

(i) The International Monetary Fund (IMF);
(ii) The World Bank;
(iii) The European Central Bank (ECB).

(25 marks)
[75 marks]

2007 Q7

(b) Suppose the euro (€) increases in value relative to the American dollar ($) and sterling (£). Outline the likely effects this increase would have on any **THREE** components of the Balance of Payments, which you listed in answering **(a)** above.
[At least one component should be from the Capital Account.]

(25 marks)

2009 Q4

(a) 'Banks may fail by over-extending their loan book'.
Explain this statement within the context of a bank's twin requirements of liquidity and profitability.

(25 marks)

(c) Outline how the recent tightening (reduction) in the availability of credit may affect:
(i) The Irish Motor Industry;
(ii) Inflation;
(iii) Ireland's Balance of Payments.

(20 marks)
[75 marks]

2009 DEB Q8

(c) Discuss the factors which have hindered the ability of Irish commercial banks to create credit in recent times.

(25 marks)
[75 marks]

2010 Q6

(a) It has been suggested that the main commercial (retail) banks in Ireland should be nationalised.

(i) Explain the underlined terms.
(ii) Outline **two** possible economic arguments for and **two** possible economic arguments against the nationalisation of the banks.

(30 marks)

2010 Q7

Write a brief account on the role of the International Monetary Fund (IMF) **or** the World Bank in the world economy.

(15 marks)

2010 DEB Q5

(a) (i) State and explain **three** factors which affect the foreign exchange value of the euro against other currencies such as the dollar ($) and sterling (£).
(ii) Discuss **two** economic consequences of a decrease in the value of sterling relative to the euro for the Irish Economy.

(25 marks)

2011 Q6

(a) Money is usually defined by reference to the functions it performs.

(i) Outline **four** functions of money.
(ii) Explain the term 'Monetary Policy'.
(iii) Explain a central bank's function as 'lender of last resort'.

(35)

(b) Many believe that a lack of supervision ('light-touch regulation') of financial institutions in Ireland contributed significantly to the banking crisis.

Discuss the economic reasons why commercial banks in Ireland should be regulated.

(20)

(c) It is being suggested that the ECB will increase interest rates in the 2011/2012 period. Explain the economic effects of rising interest rates on the Irish economy.

(20)

2012 EC Q8

(b) '*The Central Bank and Financial Services Authority of Ireland plays a key economic role in the Irish economy*'.

(The Central Statistics Office)

Explain the role that the Central Bank plays in the Irish economy. *(25)*

(c) In 2009, the government established the National Asset Management Agency (NAMA).

(i) Briefly outline the functions of NAMA.
(ii) Explain **two** advantages of NAMA for the Irish economy. *(20)*

2013 Q6

(a) (i) Explain, using a numerical example, how banks create credit in an economy.
(ii) Outline **two** factors which limit the ability of banks to create credit during recessionary times. (30)

(b) Some central banks have responded to the global financial crisis by introducing the monetary policy measure of 'Quantitative Easing' (i.e. buying financial assets from financial institutions using new money it has created).

(i) Outline **two** possible economic effects of this measure for an economy.

The European Central Bank (ECB) reduced interest rates in 2012.

(ii) Discuss **two** possible economic benefits of falling interest rates for the Irish economy. (20)