

# Chartered Banker

Leading financial professionalism

## FINANCIAL ECONOMICS

### Assignment 1

The Chartered Institute of Bankers in Scotland, Drumsheugh House, 38b Drumsheugh Gardens, Edinburgh, EH3 7SW

Telephone: 0131 473 7777

Email: [info@ciobs.org.uk](mailto:info@ciobs.org.uk)

Web: [www.charteredbanker.com](http://www.charteredbanker.com)

Charitable Body: The Chartered Institute of Bankers in Scotland (CIOBS) – Reg No.: SC013927



## Important Assignment Information

### ASSIGNMENT LENGTH

For assignments submitted on or after **1st September 2008**, there is a **maximum** word count of **2,500 words**.

From that date, if you fail to adhere to the maximum word count, a deduction will be made to your final assignment mark. Specifically, if you exceed the 2,500 limit, you will be deducted **1%** for every **100 words** or **part of 100 words** over the limit.

For example, if you write a total of **2,614** words, a **2%** deduction will be made to your mark. For clarification, the word count includes all references and attached appendices.

### PASS COMPENSATION AWARD

In recognition of the importance attached to the assignments, an award of **Pass Compensation** will be made to you if you score between 45% and 54% in the final exam and if you complete the required assignment(s) under the following conditions:

1. The assignment mark must be 60% or above – where two assignments are required, then the average mark must be 60% or above **and**
2. Assignments must be in the hands of the Tutor **at least** one month prior to the **chosen examination date for each subject**.

For example, if you enrol to sit a **full** credit subject examination on **15<sup>th</sup> December**, you must have sent **both** assignments to your tutor by **15<sup>th</sup> November**.

Similarly, if you enrol to sit a **half** credit subject examination on **2<sup>nd</sup> March**, you must have sent the **sole** assignment to the tutor by **2<sup>nd</sup> February**.

Please also note the following:

- (a) Where an assignment is marked at less than 60%, this may show up as **'Fail'** in the web-based student record – this is purely with reference to the Pass Compensation award and does not necessarily mean it is a sub-standard submission
- (b) You are **not** permitted to **re-submit** an assignment in order to gain a higher mark
- (c) In the event that you fail an exam and have not completed the required assignment(s), you can subsequently complete the required assignment(s) – these will then count towards any re-sit examination undertaken. Submission dates for these assignments must comply with the relevant timescales as stated in **2** above.

## Question 1

(a)(i) Why do people switch their holdings of financial assets?

**(5 marks)**

(a)(ii) Explain two main aspects of the Banking Act 1987.

**(5 marks)**

(b) What factors determine the size and rate of growth of Scotland's national income?

**(10 marks)**

(c) Comment on the present UK fiscal deficit and balance of payments current account deficit.

**(10 marks)**

**(TOTAL MARKS – 30)**

## Question 2

(a) Comment on the present government's taxation and expenditure policies.

**(14 marks)**

(b) Explain the following terms:

(i) Price deflation

(ii) Unfunded national debt.

**(6 marks)**

(c) Discuss the case for and against the pound sterling floating in the foreign exchange market.

**(10 marks)**

**(TOTAL MARKS – 30)**

### Question 3

- (a) Why would the Monetary Policy Committee increase / decrease interest rates and what are likely to be the economic / financial implications of such action?

**(10 marks)**

- (b) Explain and illustrate the normal interest yield curve.

**(6 marks)**

- (c) Using a demand and supply diagram to illustrate your answer, discuss the average price movement in houses in your own local area.

**(14 marks)**

- (d) Explain the decline in the number of bank branches in Scotland over the last 15 years. Is this trend likely to continue in the future?

**(10 marks)**

**(TOTAL MARKS – 40)**

**TOTAL ASSIGNMENT MARKS – 100**