

# KARACHI UNIVERSITY BUSINESS SCHOOL

## UNIVERSITY OF KARACHI

| BBA – III (Hons.)    |                            |
|----------------------|----------------------------|
| <b>Course Title</b>  | <b>: MONEY AND BANKING</b> |
| <b>Course Number</b> | <b>: BA (H) – 431</b>      |
| <b>Credit Hours</b>  | <b>: 03</b>                |

### Objective

The course aims at providing basic understanding about the principles and practices in money and banking field. The course reviews definitions, functions and theories of money – classical, Keynesian and modern viewpoints, central and commercial banking, examination of monetary policy. The course also discusses the principles of international finance and financial institutions.

### Course Contents

#### **1. Evaluation, Function and Forms of Money**

- 1.1 Need for Money. Origin of Money. Commodity Money and Commodity Standards, Rise of Fiat Money. Seignior age
- 1.2 Functions of Money. Types of Money – (M1, M2, M3 and L)
- 1.3 Approaches to Defining and Measuring Money

#### **2. Techniques of Money Management and Role of Central Bank**

- 2.1 Definition of Money Policy
- 2.2 Monetary Policy Operation Procedures
- 2.3 Rules versus Discretion in Monetary Policy
- 2.4 Role of State Bank of Pakistan as the Coordinator of Monetary Policy of the Country

#### **3. Introduction to International Monetary System**

- 3.1 International Accounting Identities: Balance of Payment. The Current Account. The Capital Account. Settlement of Balances
- 3.2 Fixed Exchange Rate System: Gold Standard. Brittan Woods System
- 3.3 Floating Exchange Rate System

#### **4. Monetary and Fiscal Policy Coordination**

- 4.1 Basic International Policy Relationship
- 4.2 Regulation of Banking and Financial Markets
- 4.3 Basle Agreements I and II

## **5. Financial Markets, Financial Institutions and Instruments**

- 5.1 Capital Markets: Debt and Equity Markets
- 5.2 Money Markets: Financial Service Markets
- 5.3 Financial Institution: Depository Institution, Commercial Bank, Savings and Loans Associations, Mutual Saving's Bank and Credit Unions
- 5.4 Non-Depository Institutions: Mutual Funds, Insurance Companies and Pension Funds etc.

## **6. Financial Instruments**

- Certificate of Deposits
- Treasury Bills
- Purchase Agreements
- Banker's Acceptances
- Federal Funds
- Corporate Stocks
- Corporate Bonds
- Mortgages
- Government Securities
- Consumer and Commercial Loans
- Municipal Bonds

## **7. Banking**

- Origin
- Evolution
- Types and Functions
- Sources of Funds in Relation to Legal, Economic and Social Factors Involved in Pakistan

## **8. Prudential Regulations for Banks, DFIs etc.**

## **9. Funds Management**

- Investment and Lending
- Statutory and Liquidity Requirements in Pakistan

## **10. Banker Customer Relationship**

- Primary and Others

## **11. Customer's Accounts**

- Individual
- Institutional and Corporate
- Requirement of KYC

## **12. Negotiable and Other Instruments**

- Promissory Notes
- Bill of Exchange
- Cheque
- Drafts

- Receipt
- Bonds
- Coupons
- Dividend Warrants
- Letter of Credit
- Travellers Cheques
- Credit and Debit Cards

**13. Payment of Cheques and Other Instruments by Banks**

**14. Collection of Instruments by Banks**

- Crossing and Endorsements
- Principles of Bank Lending
- Control of Credit in Pakistan
- Security of Bank Advances

**15. Interest Free Banking**

- Relation and Methods

**Recommended Books**

1. Lockett D. G., Money and Banking, McGraw Hill, New York, (3rd Edition), 1998.
2. Miller Roger Le Roy and VanHoose' David D., Modern Money and Banking, McGraw Hill Book Co., Singapore, (3rd Edition), 2000.
3. Siddiqi Asrar H., Practice and Law of Banking in Pakistan, Royal Book Company, Karachi, (7th Edition), 2004.