

Example of Financial Institutions Exam Questions

1. What are the four principal types of inter-mediation services provided by the financial institutions?
2. Explain the concept of dis-intermediation?
3. Explain the distinction between demand and time deposits?
4. Explain the difference between a draft account, a share account and a negotiable order of withdrawal (NOW).
5. What is a mutual fund.
6. Explain the difference between moral hazard and adverse selection.
7. Explain the difference between a public and private pension plan.
8. Explain the role of pension plans.
9. Explain the role insurance companies
10. Why was the United States one of the last of the major industrialised countries to have a central bank?
11. “The commercial banking industry in Canada is less competitive than the commercial banking industry in the United States because in Canada only a few large banks dominate the industry, while in the United States there are around 10,000 banks.” Is this statement true, false or uncertain? Explain your answer.
12. The FIRREA legislation of 1989 is the most comprehensive banking legislation since the 1930s. Describe its major features.

13. "Eliminating or limiting the amount of deposit insurance would be a good idea for the benefit of the economy" This statement is false, true or uncertain? Explain your answer.
14. Why would a Corporation that needs fund prefer to issue stocks or bonds?
15. Opposition to the universal banking structure in Canada has showed that there exists excess concentration in banking activities in few regions than others'. One way to measure excess concentration is to compare the share of chartered' banks assets by region with the share of the labour force by region. First, state your opinion regarding the universal banking structure in Canada. Second, put forward alternative(s) structures. Finally, decide which is a better structure, and explain why.
16. Historically, explain why Credit Unions were created?
17. Explain the differences among the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Bank Board (FHLBB) and the Federal Savings and Loan Insurance Corporation (FSLIC). Which acts created these entities?
18. Explain the important provisions of the:
 - Depository Institutions Deregulation and Monetary Control Act of 1980.
 - Garn-St.Germain Depository Institutions Act.
19. Why is the term 'The four pillars' inaccurate in describing FIs?
20. What are the major sources of funds for banks?
21. What are the fastest growing FIs?
22. Can you argue the benefit to move from a mutual type to a joint type company?
23. What is the rationale for the following restriction "Total stocks held by a life insurance company cannot exceed 25 percent of its total assets" on the life insurance companies activities?
24. What are the major differences between banking in Canada and in the U.S.?
25. 'There is no bank holding company in Canada'. Discuss the truth of the statement. Explain.
26. "Reciprocity is a property of U.S. banking and not Canadian banking". Discuss the truth of this statement. Explain.

27. Are bank failures' procyclical or countercyclical? Leading, lagging or coincident? Given the banks activities, what is the most important economic variable that influences banks' profits?
28. "Technology is the fundamental force driving the merger wave" Alfred Broaddus, Jr. President of the Federal Reserve of Richmond (1998, p.5) Do you agree/disagree with this statement? Why?