



**CENTRAL  
UNIVERSITY**

FAITH • INTEGRITY • EXCELLENCE

**END OF SECOND SEMESTER EXAMINATION: 2017/2018**

**VISION AND LEGACY DEPARTMENT**

**CUVB 104**

**FINANCIAL LITERACY**

**Time Allowed: 2 hours 30 min**

**May/June 2018**

**ANSWER QUESTION 1 AND ANY OTHER TWO QUESTIONS**

**Q1**

- a. Explain the term “money management”. (4 marks)
- b. i) Explain the term “personal budget”. (4 marks)  
 ii) Give three reasons why periodic budget preparation is necessary? . (6 marks)
- c. Distinguish between annuity and perpetuity. (4 marks)
- d. You are planning to take a loan of Ghs 20,000 from Miotso Bank. You will be required to repay the loan in equal monthly instalment over a period of 12 months. If the annual interest loan is 24%,  
 i. Determine the amount of money you should pay to Miotso Bank every month. (7 marks)  
 ii. With the help of a table show how you will repay the loan in the first six months. (9 marks)
- e. Your employers are planning to give you Ghs 2,000 in year 2020 for being elected as the most efficient worker of the year 2017.  
 i. Give two reasons why you will prefer taking the award now. (4 marks)  
 ii. Assuming you take the award now and invest it for two years at the compound rate of 10%. Calculate the future value of your investments. (6 marks)  
 iii. Assuming you have decided to take the award in two years (as stated in the question). Determine the present value of the award if the discount rate is 15%. (6 marks)

*Total Marks - 50*

**Q2.**

- a. What is Expense? (4 marks)
- b. Personal and household expenses can be put into three categories. Discuss these types of expenses With examples. (12 marks)
- c. Distinguish between portfolio income and passive income. Give two examples each. (7 marks)
- d. It is argued that workers cannot attain financial liberty if they continue making earned income. Explain. (2 marks)

*Total Marks - 25*

**Q3**

- a. Define and explain the term insurance. (5 marks)
- b. Would you advise people to invest in life insurance policy? Give two reasons. (4 marks)
- c. Discuss four main characteristics of Insurance. (8 marks)
- d. Distinguish between the following.  
 i. Peril and hazard. (4 marks)  
 ii. Moral hazard and morale hazard. (4 marks)

*Total Marks - 25*

**Q4**

- a. Explain financial markets. (4 marks)
- b. Discuss the two types of financial markets with two examples each. (4 marks)
- a. What is financial intermediation? (4 marks)
- c. Distinguish between depository financial institutions and contractual financial institutions. Give 2 examples each. (6 marks)
- d. Depository financial institutions are very vital for the economic growth of any country. Discuss the three main types of depository financial institutions in Ghana bringing out the similarities and differences between them. (7 marks)

*Total Marks - 25*

**Q5**

- a. Explain the term “electronic banking” *(4 marks)*
- b. Distinguish between informational e-banking and transactional e-banking. *(6 marks)*
- c. Explain three electronic banking products/services. *(6 marks)*
- d. Electronic Banking has been adopted by customers to facilitate their transactions with banks and to reduce transaction cost. However there have been factors that have compelled customers from fully adopting electronic banking. Discuss four of these factors. *(9 marks)*

***Total Marks - 25***

**Q5**

- a. Explain the term "electronic banking" *(4 marks)*
- b. Distinguish between informational e-banking and transactional e-banking. *(6 marks)*
- c. Explain three electronic banking products/services. *(6 marks)*
- d. Electronic Banking has been adopted by customers to facilitate their transactions with banks and to reduce transaction cost. However there have been factors that have compelled customers from fully adopting electronic banking. Discuss four of these factors. *(9 marks)*

***Total Marks - 25***