



CENTRAL UNIVERSITY

FAITH • INTEGRITY • EXCELLENCE

SECOND SEMESTER EXAMINATION: 2016/2017

VISION AND LEGACY DEPARTMENT

CUVB104

FINANCIAL LITERACY

Time Allowed: 3 hours

23rd June 2017

Answer ALL questions in Section A

Answer only TWO questions in Section B

SECTION A
Answer all questions under this section
(Total marks – 50)

Q1

- a.
 - i. What is Finance? (3 marks)
 - ii. Why is it necessary to study finance? (3 marks)
- b.
 - i. What is budget? (4 marks)
 - ii. Why is it important to prepare budget? State four reasons. (4 marks)
- c.
 - i. What is income? (3 marks)
 - ii. Earned income is seen as a very important component of income even though relying on it does not make you financially independent and wealthy. Discuss this statement taking into account the main types of income. (8 marks)
 - iii. Give two advantages and two disadvantages of portfolio income. (4 marks)
- d.
 - i. What is an expense? (4 marks)
 - ii. You have been advised to spend less on discretionary spending by a resource person at a seminar on financial literacy. What is discretionary spending and how is it different from the other expense(s). (8 marks)
- e. Explain any three of the following:
 - i. Anchoring. (3 marks)
 - ii. Overconfidence. (3 marks)
 - iii. Myopic risk aversion. (3 marks)
 - iv. Mental accounting (3 marks)

SECTION B
Answer any two questions under this section
(Total marks – 50)

Q2

- a. What is Annuity? (5 marks)
- b. State two examples of annuity. (3 marks)
- c. You are planning to take a loan of Ghs10,000 from Miotso Bank. You will be required to repay the loan in equal monthly installment over a period of 6 months. If the annual interest loan is 24%,
 - i. determine the amount of money you should pay to Miotso Bank every month. (7 month)
 - ii. using a table, show how you will repay this loan for the first eight months of the year. (10 marks)

Q3

- a. What is financial intermediation? (4 marks)
- b. What are contractual financial institutions? (3 marks)
- c. Depository financial institutions are very vital for the economic growth of any country. Discuss the three main types of depository financial institutions in Ghana pointing out the similarities and differences between them. (7 marks)
- d. Electronic Banking has been adopted by customers to facilitate their bank transactions. However there have been certain factors that have compelled customers from fully adopting electronic banking. Explain four of these factors. (8 marks)

Q4

- a. What is financial market? (3 marks)
- b. Explain any two types of financial markets with two examples each. (6 marks)
- c. State two differences between savings and investment. (4 marks)
- d. What is a tax? (3 marks)
- e. Discuss any four canons of taxation. (6 marks)
- f. In your own view, is the average Ghanaian over taxed? Explain briefly. (3 marks)

Q5

- a. Explain any four of the following:
 - i. Risk (2 ½ marks)
 - ii. Insurance (2 ½ marks)
 - iii. Peril (2 ½ marks)
 - iv. Hazard (2 ½ marks)
 - v. Indemnification (2 ½ marks)
- b. Briefly explain four characteristics of insurance (10 marks)
- c. In your own view, has the National Health Insurance Scheme in Ghana achieved its objectives? Give three your reasons for or against. (5 marks)