

International

School of

Economics

Tendentes ad Excellentiam

Lecturer: Kenan Agayev

Subject: Money &Banks

Groups: 1025; 1026

**Topic1 Introduction to money, banking, financial system and its functioning mechanism**

1. Financial system and its key participants- players
2. Well-functioning (efficient) financial system and its main features.
3. Financial system and its main function
4. Flow of fund through Financial System:
5. Structure of financial markets
6. Summary of financial market instruments.
7. Function of financial intermediaries: indirect finance
8. Types of financial intermediaries.

**Topic2 Money and Interest rate**

1. Money and its functions.
2. Money and its evolution.
3. Money and measuring of it (in example of USA and Azerbaijan money aggregates).
4. Interest rate and measuring of it for different credit instruments.
5. Interest rates and present value.
6. Interest rate: The distinction between interest rate and return.
7. Interest rate and yield to maturity.
8. Interest rate: Nominal and real interest rate and their interrelations.

**Topic3 The theory of asset demand**

1. The theory of assets demand.
2. Determinants of assets demand

**Topic4. The behavior of interest rates**

1. Shifts in the demand for bond.
2. Shifts in the supply for bond.
3. Supply and demand in the bond market: market equilibrium
4. Liquidity Preference framework
5. Changes in equilibrium interest rates in the liquidity preference framework.

**Topic 5 The risk and term structure of Interest rate**

1. Risk structure of Interest rates
2. Term structure of Interest rates

**Topic 6. Securities**

1. Securities and classification of those for different features
2. Money market securities and their descriptions
3. Capital Market securities and their descriptions

**Topic 7. Credit system and Commercial Banking**

1. What is passive operation of commercial bank? main passive operations.
2. What is the active operations of commercial banks: main active operations.
3. What is the balance sheet of commercial bank: main items in the balance.
4. Non-balance operation of commercial banks (off-balance and commission operations)
5. Non-bank financial institutions
6. The main risks in commercial banking.
7. General management structure of commercial banks (in line with Azerbaijan Republic Law).

**Topic 8. Central Banking**

1. Central bank as a bank of banks.
2. The goals of central Banks
3. The main functions(operations) of central banks
4. The balance sheet of central bank

**Topic 9. The money supply and money demand**

1. Money supply process, multiple deposit-creation and simple deposit multiplier.
2. The money multiplier and its main determinants.
3. Money supply and factors that determine it.
4. Monetary base and Central bank balance: asset and liability side representation
5. The demand for money and its essence
6. Keynes school of the demand for money
7. Monetarist school of demand for money

**Topic 10. Foreign Exchange market and exchange rate**

1. Foreign exchange rate, the methods of expressing it and foreign exchange market general overview.
2. Exchange rate determination long-run factors
3. Exchange rate determination short-run factors
4. Money supply and exchange rate-exchange rate overshooting.

**Topic 11. Monetary Policy**

51. Monetary tools of Central Bank.

52. Standing facility of Central Bank

53. Open market operation of Central Bank: advantage and disadvantage

54. Reserve requirement and response of overnight rate to change in reserve requirement (other thing being equal).

55. Reduced and structural models: advantage and disadvantage of them

56. What is the transmission mechanism of monetary policy: explain interest-rate channels

57. What is the transmission mechanism of monetary policy: explain other assets prices effects channels

**Topic 12.Inflation and anti-inflation measures**

58. Inflation and money supply relations: graphical description of inflation through aggregate output and aggregate price level

59. Types of inflation

60. Budget deficit and inflation relation

61. Discretionary policy and preventing lags for its effect.

62. What is the non-discretionary policy and graphical presentation of it.

**Topic13 Loanable Fund**

63. Loanable fund definition and sources of loanable fund

64. Loanable fund demand and supply

65. Loanable fund market equilibrium and the price of fund-interest rate.

66. Classic theory of interest rate

67. Loanable fund theory of interest rate

68. Expectation theory of interest rate

**Topic 14.Banking Regulation and Basel standards**

69. Banking system regulation and needs for it

70. International initiatives for banking regulation and Basel accords

**Topic 15. Financial and Banking Market Crises**

71. The financial crises and anatomy of it.

72. Factors causing financial crises

73. Dynamics of past financial crises in developed countries

74. Dynamics of past financial crises in developing countries

75. Dynamics of the Eurozone financial crises.