

**KARACHI UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI**

**BS (BBA) – II**

**Course Title : MONEY AND BANKING**

**Course Number : BA(BS) – 312**

**Credit Hours : 03**

**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. Seigniorage
  - 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. Brettan 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**

- 6.1. Certificate of Deposits
- 6.2. Treasury Bills
- 6.3. Purchase Agreements
- 6.4. Banker's Acceptances
- 6.5. Federal Funds
- 6.6. Corporate Stocks
- 6.7. Corporate Bonds
- 6.8. Mortgages
- 6.9. Government Securities
- 6.10. Consumer and Commercial Loans
- 6.11. Municipal Bonds

**7. Banking**

- 7.1. Origin
- 7.2. Evolution
- 7.3. Types and Functions
- 7.4. Sources of Funds in Relation to Legal, Economic and Social Factors Involved in Pakistan

**8. Prudential Regulations for Banks, DFIs etc.****9. Funds Management**

- 9.1. Investment and Lending
- 9.2. Statutory and Liquidity Requirements in Pakistan

**10. Banker Customer Relationship**

- 10.1. Primary and Others

**11. Customer's Accounts**

- 11.1. Individual
- 11.2. Institutional and Corporate
- 11.3. Requirement of KYC

**12. Negotiable and Other Instruments**

- 12.1. Promissory Notes
- 12.2. Bill of Exchange
- 12.3. Cheque
- 12.4. Drafts
- 12.5. Receipt

- 12.6. Bonds
- 12.7. Coupons
- 12.8. Dividend Warrants
- 12.9. Letter of Credit
- 12.10. Travellers Cheques
- 12.11. Credit and Debit Cards

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

**14. Collection of Instruments by Banks**

- 14.1. Crossing and Endorsements
- 14.2. Principles of Bank Lending
- 14.3. Control of Credit in Pakistan
- 14.4. Security of Bank Advances

**15. Interest Free Banking**

- 15.1. Relation and Methods

**Recommended Books**

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