



**PAN AFRICA SKILLS  
& CONSULTING LTD**

## **Mastery of Management Graduate Diploma**

**on**

## **Money Banking and Financial Systems**

A Program which sets out the theoretical, analytical and practical aspects, and give a full insight into the purposes, roles and features of money, banks, banking, financial systems and markets, and their function and importance in financial and economic activity.



The Program uses many illustrations and examples and uses many extracts from the Financial Times and other sources to motivate and to explain the subjects. The Program considers both traditional issues of monetary policy and the independence of central banks, and also the more recent issues such as the transparency with which central banks conduct monetary policy.

The Program comprehensively covers the roles of financial systems and introduces financial institutions; it looks at interest rates and asset valuation, money supply and demand, and monetary policy and the main types of financial markets. It is written to meet the needs of those requiring good grounding in financial economics theory, combined with institutional and policy matters affecting the world today.

## **Course Outline**

### **Module 1 - The Role of a Financial System**

- Components of a financial system
- Lenders, borrowers, intermediaries
- Saving, lending
- Lenders, borrowers and the acquisition of financial assets
- Lending, borrowing and wealth
- Maturity transformation
- Risk reduction
- Search and transaction costs
- Financial institutions
- Financial markets
- The financial system and the real economy
- Aggregate demand

### **Module 2 - Financial Institutions and Systems**

- Classification of financial systems
- Banks and other deposit-taking institutions
- Asset risk, liquidity risk
- Regulation
- Non-deposit-taking institutions - insurance companies and pension funds
- Principles of insurance
- Pension systems and characteristics
- Non-deposit-taking institutions - mutual funds

### **Module 3 - The UK Financial System**

- Banks in the UK
- Retail financial services, corporate banking, investment banking, asset management
- UK payment methods
- Building societies in the UK
- Insurance companies
- Pension funds
- Unit trusts
- Investment trusts

## **Module 4 - The US Financial System**

Deposit-taking institutions in the USA  
Classification of US depository institutions  
State chartered banks, national banks  
Commercial banks, savings institutions, credit unions  
The Federal Reserve System  
Non-depository institutions in the USA;  
securities firms, insurance companies, mutual funds

## **Module 5 - Portfolio Theory**

Risk and return  
Diversification  
'Market' and 'specific' risk  
Security market line  
The capital asset pricing model

## **Module 6 - Determination of Short-term Interest Rates**

Interest rates defined and classified; real and nominal interest rates  
'Market' theories of interest rate determination  
Liquidity, risk and inflation premiums  
The role of central banks 'administered' interest rates  
Loanable funds and liquidity preference theories  
The Fisher effect  
A synthesis

## **Module 7 - The Structure of Interest Rates**

The effect of term  
Composition of nominal interest rates  
Term and value  
Risk; default, capital, income; premiums  
The effect of risk  
Expectations and government borrowing

## **Module 8 - The Valuation of Assets**

Risk free rates and premiums  
Tradeable and non-tradeable assets  
Required rates of return  
Supply and demand in asset markets  
Asset valuation; company shares, fixed interest bonds  
Profit and profits growth  
The 'fundamentals' of asset valuation  
An alternative interpretation

## **Module 9 - Banks and the Supply of Money**

The definition of money  
Monetary aggregates  
Banks' balance sheets  
Money supply determination  
Monetary base and flow of funds models  
Controlling the money supply

## **Module 10 - The Demand for Money**

Theory of demand for money  
Transmission mechanisms of monetary policy  
Economic agents and the holding of money  
Effect of changes in money supply on income  
The transmission mechanism of monetary policy  
The demand for money - a more complete approach  
Stability of demand for money and monetary policy  
The implications for monetary policy

## **Module 11 - Monetary Policy**

The simple Phillips curve  
The 'expectations-augmented' Phillips curve  
Adaptive expectations and the rate of inflation  
The policy irrelevance theorem  
The transmission mechanism of monetary policy  
Governments, inflationary incentives and independent central banks  
The independence of the bank of England  
Transparency in the conduct of monetary policy

## **Module 12 - Money Markets**

Money market instruments: characteristics and yields  
Characteristics and use of the money markets  
Participants in the money markets  
Growth and developments of money markets  
Official intervention in the money markets  
The Eurocurrency markets  
Money market flows

## **Module 13 - Bond Markets**

Bonds: types and characteristics  
Bond prices and yields  
Yields and maturities  
Participants in the bond markets  
Growth and developments of bond markets  
Risk and fixed interest bonds; default, capital and reinvestment risk  
The term structure of interest rates  
Characteristics of the bond markets; primary and secondary markets  
International Bonds

## **Module 14 - Equity Markets**

Company shares: types, characteristics and returns  
Equity pricing  
Dividend models  
Price earnings ratios  
Share price movements; short and long run  
Equity market characteristics; primary and secondary markets

## **Module 15 - Foreign Exchange Markets**

Growth in foreign exchange markets  
The reporting of foreign exchange rates  
Spot and forward rates of exchange  
The efficient market hypothesis  
Exchange rate arbitrage  
Exchange rate indices and currency baskets  
Foreign exchange risk and speculation  
Forecasting foreign exchange rates

## **Module 16 - Derivatives - the financial futures markets**

The nature of financial futures  
Growth and organization of futures markets  
Reading the Financial Times  
The pricing of financial futures  
Interest rate futures, currency futures, equity index futures  
Futures pricing models

## **Module 17 - Options, swaps and other derivatives**

Options  
Reading the Financial Times  
The pricing of options  
Boundaries on options  
Exotic options  
Swaps  
Comparing different types of derivatives  
The use and abuse of derivatives