

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY  
SAULT STE. MARIE, ONTARIO

COURSE OUTLINE

Course Title:- Money and Banking

Code No.:- ECN 204

Program:- Business

Semester:- Four

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APPROVED: \_\_\_\_\_

Dean

Date: 90-01-24

MONEY & BANKING

ECONOMICS 204

GENERAL

The study of economics requires that we examine many economic aspects but none is more important than the subject of money.

While money is not the only factor influencing economic activity, it is extremely difficult to think of a modern economic system without this form of currency. It is probably safe to say that we spend about half our lifetime trying to obtain money and the other half spending it.

Since money is so vital to us, personally and to our economic system, it is important that we understand what it is, what it can do, how it is controlled and how it affects economic activity.

This course is designed to examine and provide answers to these and other questions.

OBJECTIVES

1. To provide the student with the knowledge of the roles of money and the Canadian monetary system.
2. To stress the importance of and to provide an understanding of the role of fiscal and monetary policies and their relationship to the Canadian banking system.
3. To assist the student in understanding the significance of Central Banking and the Commercial Banking process in Canada.
4. To examine roles of money markets and interest rates and the measure of economic activity.
5. To outline the significance of foreign exchange, the international economy and the balance of payments.

METHODOLOGY

A variety of methods may be employed to cover the course content. These may include lecture, discussions, study groups, and student presentations. Students will be required to read and understand the relevant chapters of the textbook and other assigned readings. Student projects and presentations will also be assigned.

## EVALUATION & MARKING SCHEME

Students will be evaluated on the following basis:

Three tests	75%
Projects, assignments, any quizzes, presentations, and class participation	25%

Dates of tests will be announced approximately one week in advance. Any quiz which may be given may or may not be announced in advance. If a student misses a quiz, he/she will receive a zero for that quiz. No make-up quizzes will be given. Consideration may be given to students who make arrangements before a quiz is held.

If a student is not able to write a test because of illness or a legitimate emergency, that student must contact the instructor prior to the test and provide an explanation which is acceptable to the instructor. (Medical certificates or other appropriate proof may be required.) In all other cases, the student will receive a mark of zero for that test and must repeat the course.

There will be no re-writes of any semester tests.

## FINAL GRADE

The final grade will be based on the following scale:-

90% and over	"A+"
80% to 89%	"A"
70% to 79%	"B"
60% to 69%	"C"
59% or less	"R"

Each student must meet the following requirements in order to complete this course successfully.

1. Must complete, in a fashion acceptable to the teacher, all projects and other assignments.
2. Must write all three semester tests and successfully complete at least two of the three tests. This means a minimum mark of 60% on each test.
3. Must have an overall mark of 60%. This mark includes all work in the semester.

Students who are not successful in achieving the minimum overall mark of 60% and/or do not pass two out of three tests, may be allowed to write a supplemental test, in very limited circumstances. Students who choose not to complete the required assignments in an acceptable fashion, as they are due, will repeat the course.

A student with a final mark of 55% to 59% may apply to the teacher, in writing, for permission to write a supplemental test which will be based on work from throughout the semester. (The letter must be received by the teacher personally, by the date and time which will be posted outside the teacher's office shortly after the final test.) The teacher may allow the student to write the supplemental test based on the student's attitude, participation in class and provided that the student has attempted all semester test, has completed all projects and assignments as required and has given some indication of potential success on a supplemental test.

It is the responsibility of any student in this category to apply, in writing, to write the supplemental test by the posted date.

A final grade of "C" will be assigned to any student who obtains 60% or more on the supplemental test.

In all other instances, students with a final mark of less than 60% or who have failed to meet the other requirements will have to repeat the course.

#### RESOURCE MATERIAL

1. Money, Banking & the Canadian Financial System, Fifth Edition; H.H. Binhammer; Nelson
2. Money & Banking: Analysis and Policy in a Canadian Context, 2nd edition, Gordon F. Boreham with Eli Shapiro Ezra Soloman, & William White; Holt, Rinehart, Winston.
3. The Financial Post
4. Other current publications

#### NOTE:

Quizzes, tests, assignments, projects, etc. will be returned to students during one of the normal class times. Any student not present at that time must pick up his/her test, etc. at the teacher's office within three weeks after that class. Tests, etc. not picked up within the three weeks will be discarded.

End of semester tests and assignments will be for four weeks. If they are not picked up by students within that four-week period, the tests, assignments, etc. will be discarded.

Tests, etc. will be returned only to those students to whom they belong.

MONEY & BANKING  
COURSE OUTLINE - WEEKLY SCHEDULE

Subject to change, the following is a proposed weekly schedule of subjects which will be included in the instructions. They are not necessarily the only topics to be covered, but rather the major areas to be covered and are presented to indicate the overall, general direction of this course.

<u>WEEK</u>	<u>SUBJECT</u>	<u>READINGS</u>
1	<u>The Functions &amp; Evolution of Money</u>  -nature and functions of money -evolution and kinds of money -Gresham's Law -composition of CDN money supply -other approaches to defining and measuring money	Chapter 1
	<u>Monetary Standards</u>  -commodity standards -coin standard -bullion standard -exchange standard -bimetallic standard -advantages & disadvantages of metallic standards -inconvertible paper standard	Chapter 2
2	<u>Canadian Payments System: Yesterday, Today, and Tomorrow</u>  -native people -New France & the French Regime -British North America -confederation and thereafter -today's payment systems -payments in the future	Chapter 3
	<u>The Development of Canadian Banking</u>  -origin of modern banking -evolutionary forces of CDN banking -early attempts to establish banks -the first chartered banks -Free Bank Act, 1850 -bank expansion -Provincial Note Act, 1866 -banking after confederation -Bank Act, 1871 -bank note issues -Finance Act and money supply -towards central banking	Chapter 12



6      Monetary Control: Central Bank Instruments      Chapter 18

- the monetary base
- commercial bank reserves & reserve requirements
- legal cash reserve requirements
- variable cash reserve requirements
- secondary reserve requirement
- open market operations
- discounts, advances, and the bank rate
- purchase and resale agreements with money market jobbers
- moral suasion
- selective credit controls

7      Monetary Control: Government Financial Transactions and the Bank of Canada      Chapter 19

- nature of gov't financial transactions
- management of gov't deposits
- deposit transfers & cash reserve management
- asset management
- cash reserve effects of exchange fund transactions
- exchange fund swaps and cash reserve management
- debt management and the money supply
- further effects of debt management
- principals of debt management
- debt management in Canada since 1945

8      Monetary Control      Chapter 20

- determinants of the monetary base
- determinants of the money multipliers
- monetary supply control & interest
- alternative procedures for controlling the money supply
- the Bank's money targeting experience

9      The Flow of Funds: An Introduction      Chapter 4

- a sector's income statement
- a sector's sources and uses of funds
- flow of funds for the whole economy
- financial market activity

Financial Assets: Their Nature, Price, and Yield

Chapter 5

- the nature of financial assets
- the concept of present value
- the valuation of debt securities
- the valuation of common stock

10 The Level and Structure of Interest Rates

Chapter 6

- the level of interest rates
- real and nominal interest rates
- the term structure of interest rates
- the expectations theory
- the liquidity preference theory
- the market segmentation theory
- implications for portfolio choice and monetary policy

11 Financial Markets

Chapter 7

- types of financial markets
- the money market
- capital markets
- financial futures & options markets

12 Financial Intermediation

Chapter 8

- financial intermediation services
- principles of portfolio management
- financial intermediation and financial institutions in Canada

13 Payments Intermediation and the Creation of Money

Chapter 9

- debt monetization and money supply
- bank deposits and the money supply
- deposit creation by an individual bank in a banking system
- clearing house operations and the clearing drain
- the currency drain
- the demand for time deposits
- deposit creation by a banking system
- currency drains
- excess reserves
- time deposits, etc.
- implications for the money supply

14      Payments Intermediation, Risk, and Risk Management      Chapter 10

- asset management
- liability management
- asset-liability management
- capital funds management
- deposit insurance
- reforming the deposit insurance system
- etc.

15      The Regulation of Financial Intermediaries and Regulatory Reform      Chapter 11

- goals of financial regulation
- regulatory jurisdiction
- regulatory approaches
- regulatory reform
- federal gov't policy for reform

Foreign Exchange Markets      Chapter 29

- the market for foreign exchange
- foreign exchange rate
- foreign exchange arbitrage
- risk reduction
- interest-rate arbitrage
- exchange-rate expectations and interest rates

NOTE:-      Additional readings will be assigned as the course progresses.

THE ABOVE SCHEDULE IS SUBJECT TO CHANGE.

IT WILL BE TO THE STUDENT'S ADVANTAGE TO HAVE ANY QUESTIONS, CONCERNS, OR PROBLEMS RELATED TO THIS COURSE RESOLVED AS SOON AS POSSIBLE. IF YOU REQUIRE ANY ASSISTANCE, SEE YOUR TEACHER. HE WILL BE MORE THAN HAPPY TO HELP.

