

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE  
STATE HIGHER EDUCATIONAL INSTITUTION  
"BANKING UNIVERSITY"**

**APPROVED**

Head of the Admission Committee  
of the Banking University

\_\_\_\_\_ A. Kuznetsova

March 02, 2018



**PROGRAMME  
OF ENTRANCE TESTING  
for competitive selection of foreign citizens and stateless persons  
to obtain Master's degree  
in the program subject area 072 «Finance, banking and insurance»  
(full-time and part-time forms of studies)**

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**Compiler:**

N. Dunas, PhD, Associate Professor of Finance, Banking and Insurance Department, Lviv educational-scientific institute of the Banking University

V. Hirnyak, PhD, Associate Professor of Finance, Banking and Insurance Department, Lviv educational-scientific institute of the Banking University

**Reviewer:**

O. Zamaslo, PhD, Associate Professor of Finance, Money and Credit Department, Ivan Franko National University of Lviv

Considered and agreed at the meeting of Department of Finance, Banking and Insurance of the Lviv educational-scientific institute of the Banking University, January 31, 2018 (Minutes №6)

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## INTRODUCTION

The programme of entrance testing for foreign citizens and stateless persons for the competitive selection of applicants to Banking University to obtain Master's degree in the program subject area 072 «Finance, banking and insurance» is based on synthetic interdisciplinary principle and consists of individual sections, each of which integrates material in specific functional areas.

The programme is to identify the knowledge and skills in standards for the specialists of educational degree "bachelor" specified by the industry of higher education.

The programme comprises the questions in the following professional disciplines:

1. Finance
2. Insurance
3. Financial Markets
4. Banking

## TEST PATTERN

The examination for the applicants consists of 50 one-choice questions. Each correct answer is worth 2 points ( $50 \times 4 = 200$  points). The minimum score to pass the exam should be at least 100 points

The examination of knowledge for each normative professional discipline is based on answers to 12-13 questions. Each question involves 4 (four) version of answers and the choice of one correct version of them.

One correct answer of each of 50 (fifty) tests is worth 4 (four) points, the wrong one - 0 (zero) points accordingly. Thus, on specialty «Finance» an applicant can score maximum 48 points; on specialty «Insurance» - 52 points; on specialty «Financial Market» - 48 points; on specialty «Banking» - 52 points. The maximum number of points scored is 200. The minimum number of points that qualifies the test to be successful must be at least 100.

**CRITERIA FOR EVALUATION OF TEST TASKS TO OBTAIN MASTER'S  
DEGREE IN THE SPECIALTY 072 «FINANCE, BANKING AND  
INSURANCE»**

Discipline	Quantity of questions	The number of points for one correct answer	Total amount of points	Time
Finance	12	4	48	15
Insurance	13	4	52	15
Financial Markets	12	4	48	15
Banking	13	4	52	15
<b>All</b>	<b>50</b>		<b>200</b>	<b>60</b>

**PROGRAMME**

**FINANCE**

**Topic 1. Essence of finance, its functions and role.**

Finance as a science and as an economic category. The historical aspect of formation and development of finance. Functions of finance and their role in a market economy. Financial categories and their essence.

**Topic 2. Financial system.**

The essence of the financial system. Features of its construction and character of components of the financial system. Features of the organizational structure of the financial system.

**Topic 3. Financial policy and financial mechanism.**

Legal basis of financial relations. The nature and value of financial policies as part of economic and social policy. The financial mechanism, its role in the market economy. Financial methods and instruments. Financial planning, types of financial plans, their characteristics. Essence of the financial control.

**Topic 4. Taxes. The tax system.**

The determination of taxes as economic categories. Taxes and other forms of payments in the budget. Place and role of taxes in the structure of the financial mechanism of the state. Classification of taxes and their features.

The tax system of the state. The determination of tax policy and their directions. Basic principles of tax policy.

**Topic5. Budget. The budget system.**

The essence, purpose and role of the budget. Parts of the budget, their formation and use. The budget deficit and its species. Methods of restrictions and ways to reduce the budget deficit.

Budget process and its stage. The main participants in the budget process. Budget system and principles of budget system.

### **Topic 6. State credit. State debt.**

The economic essence and the role of the state credit in the state's financial resources formation. Forms, types and functions of the state credit.

The definition and the classification of the state debt. External and internal state debt. The features of Debt Management.

### **Topic 7. Finance of business entities.**

The features of the financial activities of business entities. The financial resources of the company, their formation and exploitation. The financial condition of the company. The main sources of information for assessment the financial condition of the company. Financial results of business entities.

### **Topic 8. Financial Markets.**

Place or the financial market in the financial system. The subjects of the financial market. The State as a subject of the financial market. Necessity for the financial market regulation.

The structure of the financial market. Money market. Capital markets (credit market). Currency market. The insurance market. The main directions of the financial market development.

Types of financial instruments and their characteristics. The financial assets and their types. The properties of financial assets. The definition and types of securities. Shares. Notes. Bonds. Government bonds and other government securities. Privatization paper. Innovations in financial instruments.

The definition and classification of financial intermediation. The banking system as the basis of the financial market. Commercial banks, their types and operations. Non-bank financial institutions.

The definition and types of interest rates. The impact of inflation on the financial results of the calculations. Real and nominal interest rate. The structure of the interest rates. The risk-free rate, the refinancing rate, the discount rate of NBU.

Stock exchange. The main kinds of stock exchange. State regulation of the stock market of Ukraine.

### **Topic 9. International Finance.**

International finance and international financial flows. Balance of payments. Finance international organizations and international financial institutions. The globalization of world's financial markets. Global financial centers, their characteristics and functioning.

## **Recommended sources**

1. Brealey, Richard A. Principles of corporate finance / Richard A. Brealey, Stewart C. Myers, Franklin Allen.—10th ed. – 2011. – 969 p.
2. Frederic S. Mishkin, The Economics of Money, Banking, and Financial Markets, Seventh Edition, Addison-Wesley, Boston, MA, latest edition.
3. The Economics of Money, Banking and Finance: A European Text. Keith Bain, - Pearson Education, 2005. – 584 p.
4. Peter Howells, Keith Bain. Financial Markets and Institutions, fifth edition, Pearson Education Limited, 2007. – 425 p.
5. Jeff Madura. Financial Markets and Institutions. Abridged Edition (with Stock-Trak Coupon), 2008. – 742 p.

#### **Internet resources**

1. [www.imf.org](http://www.imf.org) - Представництво МВФ в Україні
2. [www.ebrd.com](http://www.ebrd.com) – Європейський банк реконструкції та розвитку
3. [www.in.org](http://www.in.org) - Організація Об'єднаних Націй
4. [www.ifc.org](http://www.ifc.org) – Міжнародна фінансова корпорація
5. [www.worldbank.org](http://www.worldbank.org) – Група Світового Банку
6. [www.wto.org](http://www.wto.org) – Світова організація торгівлі

### **INSURANCE**

#### **Topic 1. General Principles and Concepts of Insurance**

Functions and benefits of insurance. The history of insurance market development. The essence of insurance. Place of insurance in the system of economic categories. Economic nature and function of insurance.

Principles of insurance: insurance interest, maximum integrity, insurance agents, causal link of loss and events, compensation for losses within the limits of losses, subrogation. Concepts of insurance. How does insurance contribute to society? The role of insurance in activating the business.

#### **Topic 2. Types of Insurance**

The concept of classification, its scientific and practical significance.

Attributes of classification: historical, economic, legal.

Classification by object of insurance. Areas of insurance: property insurance, liability insurance, personal insurance. Types insurance.

Classification by kind of danger: insurance of fire, engineering, agricultural, transport, financial and credit and other risks.

Classification by the forms of holding. Compulsory insurance. Voluntary insurance.

Classification by the insurer's status. Insurance of legal entities all forms of ownership. Citizens Insurance. Classification by the specialty of the insurer. General types of insurance. Life insurance. Reinsurance.

#### **Topic 3. Insurance risks and their assessment**

The concept of risk. Risk Characteristics. Risk level. Frequency risk and size of damage.

Risk Management. The role of risk management in identifying, recognition, identification and determination of methods of exposure to risk.

Exclusion of risk. Active and passive risk prevention. Subjective and objective risks. Material and non-material risks.

Pure and speculative risks. Fundamental and Partial Risks. Determination of insurance risk. Signs of insurance risk. Specificity risks in property insurance, liability, in personal insurance.

Risk assessment and determination of expediency of its insurance. Criteria determining the price of insurance. The structure and basis for calculation of insurance tariffs

#### **Topic 4. Insurance market.**

The concept of the insurance market. Subjects of the insurance market. Insurance services as objects of interrelations between insurers and insureds. The role of intermediaries: insurance agents and brokers. Prospects for the development of the insurance market of Ukraine.

The essence and objectives of marketing in insurance. Marketing plan.

Information support of marketing researches. Realization of insurance services. Insurance contracts, the procedure for their preparation and conclusion. Rights and responsibilities of the parties.

#### **Topic 5. Insurance company.**

Insurance industry as part of the services sector. Forms of organization insurance companies in Ukraine. Order of creation, operation and liquidation of insurance companies. Mutual Insurance Society.

Specialization of insurers. Terms of attracting foreign investors to creation of insurance organizations.

Insurer's resources: financial, material, labor, informational. The structure of insurance companies.

Management of an insurance company.

Insurance associations. Concept of intermediaries - Agents, Brokers, Surveyors & Loss Assessors.

#### **Topic 6. Regulatory Environment.**

The need and importance of Insurance Business Regulation. Insurance Act. Powers and Functions of Regulatory Authority: Licensing, Audit & Supervision International Regulatory Framework of the insurance industry.

#### **Topic 7. Personal insurance.**

Life insurance and its main types. Mixed life insurance. Life insurance. Insurance before marriage. Pension insurance (rents).

Compulsory insurance against accidents and professional diseases. Insurance against accidents in transport; insurance servicemen; insurance of employees of risky professions, etc.

Voluntary individual and collective insurance against unfortunate cases. Medical Insurance. Subjects and objects of insurance. Terms compulsory health insurance. Voluntary health insurance.

### **Topic 8. Property insurance.**

Insurance of property of legal entities: subjects of insurance, insurance events, order of conclusion of agreements, terms of compensation of losses.

Insurance of agricultural enterprises: insurance of crop and perennial crops planting, animal insurance, insurance of buildings and other property.

Insurance of technical risks.

Insurance of vehicles: automobile and other ground, sea, aviation transport. Insurance of cargoes.

Insurance of property of citizens: buildings and structures; animals; home and other property.

### **Topic 9. Liability insurance.**

Economic content and mechanism of liability insurance, its types. Insurance of civil liability of owners of transport funds. Motor (transport) insurance bureau of Ukraine and its functions.

International system "Green Card". Liability insurance owners of other modes of transport.

Insurance of producers' liability for product quality. Professional liability insurance. Other types of insurance responsibility.

### **Topic 10. Reinsurance and co-insurance**

The need for reinsurance, the state and prospects of its development. Subjects of reinsurance. Reinsurance markets. Requirements

Ukrainian legislation on reinsurance of risks to non-residents.

Methods of reinsurance. Optional reinsurance. Obligator reinsurance. Comparative analysis of reinsurance methods.

Forms of reinsurance operations. Proportional reinsurance.

Disproportionate reinsurance: on the basis of the exendent damage, based on Excessive loss.

Co-insurance and the mechanism of its application.

### **Topic 11. Income, expenses and profits of the insurer**

Income of the insurer. Income from insurance business. Insurance premiums, the order of their definition. Income from investing is temporarily free money. Expenses of the insurer: their composition and economic content. Cost insurance services. Payment of insurance sum.

Costs for the maintenance of an insurance company. The insurer's profit. Determination of profits from insurance activity. Profit from investment activities. Distribution of profits.

### **Topic 12. Financial reliability of the insurance company**

The concept of financial instability of the insurer. Formation balanced insurance portfolio. Risk selection. Tariff policy.

Reinsurance as a method of providing financial security.



Financial methods to ensure the reliability of insurance companies.

The solvency of the insurer, the conditions of its provision. Own funds the insurer. Technical reserves, their composition.

### **Recommended sources**

1. Cathy Pareto. Introduction To Insurance /Cathy Pareto. – Available at: <http://www.investopedia.com/university/insurance/default.asp>.
2. Bart Baker. The Breakthrough Insurance Agency: How to Multiply Your Income, Time and Fun – May 30, 2015.
3. Risk Management & Insurance, Harrington Niehaus, 2nd Edition, McGraw Hill.
4. Janet Hunt. What Are the Different Types of Insurance Companies? Updated December 19, 2016. – Available at: <https://www.thebalance.com/what-are-the-different-types-of-insurance-companies-1969789>
5. Peter Howells, Keith Bain. Financial Markets and Institutions, fifth edition, Pearson Education Limited, 2007. – 425 p.
6. Jeff Madura. Financial Markets and Institutions. Abridged Edition (with Stock-Trak Coupon), 2008. – 742 p.

## **BANKING**

### **Topic 1. Essence of banks and banking.**

Banks in the system of financial intermediation. The concept of banking and its genesis. The period of the birth of the bank and banking. The main stages of banking development.

The essence of the bank: legal and economic approaches. Interaction between banking and real economy.

Types of banks, their function and the main principles of activities. Types of integrated units.

Banking associations, their description, and the purpose of creation and features of activity.

### **Topic 2. Operations of banks in the formation of equity capital**

The composition and structure of the Central Bank's and other banks' resources, concepts, classification and forms of mobilization. Bank's own resources and their economic structure. The authorized capital in banks of various forms of ownership: concept, function, formation of sources and ways to replenish.

### **Topic 3. Operations of banks to raise funds.**

Deposit as an economic category. Deposits of banks and the principles of their organization. policy of banks. Kinds of deposits and their characteristics. The procedure for opening, use and closure of current and deposit accounts of business entities, customer identification, bank's account contract. The amount of interest that is paid on deposits.

#### **Topic 4. Operations of banks in settlement of payments**

The basic of organization, methods and forms of cash payments in the economy.

Non-cash money circulation and the role of banks in its organization. Organization of cashless payments, the basic principles and ways to improve them. The forms of cashless payments, payment instruments. General rules of payment documents. Scope and procedure of payment transactions by payment orders, payment requests, payment requests-orders, checks, letters of credit, bills and so on.

Calculations using remote customer service. The concept and purpose of electronic payment instrument.

Non-cash public service: transfer of wages and other income for the current and card accounts of individuals. Cheating with depositors accounts. Fundamentals of interbank payments.

The essence of electronic payment system.

New forms of banking customer service.

#### **Topic 5. Basics of the bank credit operations.**

The role of credit in the market economy. The essence of credit as an economic category. The essence and source of credit resources of the bank. Credit relations. The credit policy of the banks. The principles of lending: return; maturity, payment, intended use; security. Classification of loans.

The essence of the process of bank lending. The main stages of the crediting process. The credit agreement as a legal basis for the credit process. Basic requirements for the content of the credit agreement. The structure of the credit agreement. The responsibility of the parties for breach of the credit agreement, fines, penalties.

The concept and structure of the price of the credit. Differentiating factors of an interest rate on loans. Classical methods for determining the price of credit. The order of calculation, payment and collection of interests on credits.

The essence of providing credit obligations, their forms. The economic role of forms of the collateral. Subject of collateral: personal property, real estate, securities, property rights. The essence of the main ways of providing credits. The basic scheme of credit provision: one-time credit provision, credit line, revolving credit, current account credit, overdraft. Mechanisms and sources of repayment.

The essence of credit risk, its types and characteristics. Factors affecting the credit risk of the bank. The essence of the loan portfolio. Classification of the loan portfolio. Definition of groups of credit transactions as borrower debt service. Criteria for the acceptance of collateral on credit operations in the calculation of reserves. The procedure of calculation of the reserves for the case of reimbursement of possible losses on credit transactions.

#### **Topic 6. Features of providing and repayment operations with in different types of credits.**

Consumer credit, its concepts and features. Subjects of consumer credit market. Objects of consumer credit. Classification characteristics of consumer credit. The mechanism of providing and repayment of consumer credit. Methodological basis of

assessing the creditworthiness of the borrower. Forms of guarantees of the consumer credits. Leasing as a mechanism for financing investment projects. Characteristics and conditions of leasing. Financial leasing.

### **Topic 7. Banks securities operations.**

The essence and concept of the securities market. Securities market structure, types of securities, their characteristics. Organizational models of securities market: banking, non-banking, mixed. The place and role of the bank in the stock market.

Bank's issues of securities. The main stages of securities issuing. The issues of bank bonds and certificates of deposit. Requirements of the issues of ordinary and preferred shares.

### **Topic 8. Economic - legal and organizational bases of bank's operations in foreign currency.**

The essence and concept of categories: "currency values", "foreign exchange", "exchange rate". Currency market: concept and types. The main participants in the foreign exchange market. Classification of bank transactions in foreign currency.

Currency risk: causes and management methods. Bank accounts in foreign currency characteristics.

Current commercial bank transactions in foreign currencies. The essence and scope of international payments. The main subjects of international payments. Objects of international payments.

Special conditions of international payments. Bank transfer as a form of international payments. Settlement of accounts with a bank transfer.

Documentary letter of credit as a form of international payments.

Uniform rules for documentary credits. Bank purchase transactions / Cash transactions in foreign currency.

### **Topic 9. Banking services operations.**

Basics of Banking Services. Banking services and their types. Classification and characteristics of banking services.

Trust banking services: the nature and classification characteristics. Members of trust relationship. Types of trust services to individuals and legal entities. Income of banks from trust services.

Warranty services of the banks. Forms, types and kinds of warranty. Difference between warranty and guarantee.

Concept and types of banking agent services. Consulting and information services of banks. Operations with precious metals. Digital banking. Safe deposit box service of the bank. Forfeiting transactions. Price of the forfeiting services, structure and methods of calculation.

### **Topic 10. Risks in banking.**

The role of risk in banking. Types of banking risks. Features of credit, interest, currency risk and unbalanced liquidity risk management. Asset-liability management of the bank. Formation of reserves for covering potential risks of active operations. The role of equity in banking. The main methods of the equity evaluation of the bank.

Economic capital of the Bank. The organization and operation of risk management systems in banks.

### **Recommended sources**

1. Frederic S. Mishkin, *The Economics of Money, Banking, and Financial Markets*, Seventh Edition, Addison-Wesley, Boston, MA, latest edition.
2. *The Economics of Money, Banking and Finance: A European Text*. Keith Bain, - Pearson Education, 2005. – 584 p.
3. Jeff Madura. *Financial Markets and Institutions*. Abridged Edition (with Stock-Trak Coupon), 2008. – 742 p
4. Jesus Huerta de Soto, *Money, Bank Credit, and Economic Cycles*, 2006. – 906 p.

### **Internet sources**

1. [www.imf.org](http://www.imf.org) - Представництво МВФ в Україні
2. [www.ebrd.com](http://www.ebrd.com) – Європейський банк реконструкції та розвитку
3. [www.in.org](http://www.in.org) – Організація Об'єднаних Націй
4. [www.ifc.org](http://www.ifc.org) – Міжнародна фінансова корпорація
5. [www.worldbank.org](http://www.worldbank.org) – Група Світового Банку
6. [www.wto.org](http://www.wto.org) – Світова організація торгівлі
7. <http://www.rada.gov.ua>
8. <http://www.bank.gov.ua>