



UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBF 101

COURSE TITLE: MONEY AND BANKING

DATE: 10TH FEBRUARY, 2021 TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours



KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)

Question 1



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Knowledge for Development

- a) Define the following terms?
- Money (2 marks)
 - Demonetization (2 marks)
 - Credit creation (2 marks)
 - Token money (1 mark)
- b) Explain the two main approaches to defining money.
- The traditionalists approach (2 marks)
 - Empiricists approach (2 marks)
- c) Money is not an unmixed blessing. It has a dark side as well.
Discuss any three evils of money. (3 marks)
- d) Explain any three disadvantages of using paper currency standard.
(3 marks)
- e) Why are central banks necessary (4 marks)
- f) How does the central bank act as the bankers' bank? (2 marks)
- g) Apart from commercial banks and central banks name and explain any other three types of banks.(3 marks)
- h) According to Keynes there are three motives behind the liquidity preference for money. Explain any two.(4 marks)

SECTION B ANSWER ANY TWO QUESTIONS

Question 2



- a) On what grounds can near money be distinguished from money.(10 marks)
- b) Explain any 5 limitations on the power of banks to create credit. (10 marks)

Question 3

- a) Explain any five advantages of paper money (10 marks)
- b) Explain any five differences between commercial banks and central banks (10 marks)

Question 4

- a) Explain any five good qualities of a monetary standard. (10 marks)
- b) Money has been lauded as one of the greatest inventions of mankind. What advantages has money brought to the economy and its participants. (10 marks)

Question 5

- a) Name and explain any 5 functions of commercial banks (10 marks)
- b) Explain any five functions of money. (10 marks)

