



(Knowledge for Development)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

MAIN EXAM

DIPLOMA IN BUSSINESS MANAGEMENT

COURSE CODE:DBF 101

COURSE TITLE: MONEY AND BANKING

DATE: 18TH MAY, 2022

TIME:9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

SECTION A

QUESTION ONE: COMPULSORY (30 MARKS)

- a) In Any Society Or Economy Money Has Several Functions. Discuss any Five Functions of Money in Any Economy **(10marks)**
- b) Discuss the Keynesian Theory of demand for Money **(6marks)**
- c) Commercial banks play an important role in the Kenyan economy. Discuss any five roles that the Commercial banks **(10marks)**
- d) Discuss 2 key objectives of monetary policy as a macroeconomic instrument. **(4marks)**
- (Total 30 marks)**

SECTION B

QUESTION TWO

- a) Name any two non-banking financial institutions and discuss their functions. **(8marks)**
- b) Distinguish between Monetary policy and Fiscal policy **(4 marks)**
- c) Discuss what money creation is and how the commercial financial institutions create money **(8marks)**
- (Total 20 marks)**

QUESTION THREE

- a) Name and discuss the four Factors Influencing the Effectiveness of Monetary Policy in Developing Countries. **(10marks)**
- b) Distinguish between Real Money and Token money **(6marks)**
- c) Distinguish between Fiat money and Commodity money **(4marks.)**
- (Total 20 marks)**

QUESTION FOUR

- a) Explain the Five functions of Central bank and how it may influence the performance of the country's economy **(10 marks).**

- b) In developing nations inflation is experienced from time to time, Explain what is inflation's is and what are four causes inflation

(10marks).

(Total 20 marks)

QUESTION FIVE

- a) For a material to be used as a monetary standard it must possess certain characteristics. Discuss any five characteristics
- b) Define liquidity trap
- c) Discuss the three advantages of using paper as money .

(10marks)

(4marks)

(6 marks)

(Total 20 marks)