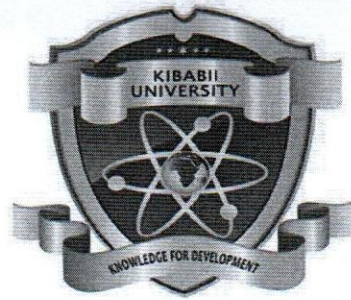


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(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
SECOND SEMESTER
MAIN EXAMS

**FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION**

COURSE CODE: ECO 304

COURSE TITLE: MONEY AND BANKING

DATE: 17TH MAY, 2022

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

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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.

KIBU observes ZERO tolerance to examination cheating

TIME: 3 Hours

QUESTION ONE(COMPULSORY)

- a) Give five ways in which the use of money has reduced the problem of barter system (5mks)
- b) Name any three main forms of money (3mks).
- c) What are the qualities of good money (2mks)
- d) Name two types of inflation on the basis of rate of inflation (2mks)
- e) Differentiate in two ways between capital markets and money markets (4mks)
- f) Highlight four duties of a banker (4mks)
- g) List four characteristics of negotiable instruments (4mks)
- h) Identify three reasons for nationalization of banks (3mks)
- i) Highlight three factors influencing the exchange rate of a currency (3mks)

(Total 30marks)

QUESTION TWO

- a) Discuss the role of commercial banks in economic development (12mks)
- b) Describe four Functions of the Central bank (8mks)

(Total 20marks)

QUESTION THREE

- a) Describe in four ways the criticisms leveled against the quantity theory of money (10mks)
- b) Discuss five impacts of inflation on economic growth of a country (10mks)

(Total 20marks)

QUESTION FOUR

- 4 a) Briefly discuss three recent trends in the banking sector (15mks)
- b) Show five ways that limit commercial banks from creating credit (5mks)

(Total 20marks)

QUESTION FIVE

- a) Explain five essential elements in a promissory note (10mks)
- b) Describe the special relationship between banker and customer (10mks)

(Total 20marks)