



KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 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: 27TH JULY, 2022 TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

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

SECTION A COMPULSORY (30MARKS)

QUESTION ONE

- a) Discuss five the functions of commercial banks in the economy. **(10marks)**
- b)i) Define the term inflation **(2marks)**
ii) Discuss the four advantages of inflation **(8marks)**
- c) Define the following terms **(6marks)**
- i) Exchange rate;
 - ii) Devaluation of currency
 - iii) Fixed exchange rate
- d) Distinguish between Real money and Token money **(4marks)**

SECTION B

QUESTION TWO

- a) i Define Credit Creation **(2MARKS)**
ii What are The Factors That Limit Commercial Banks In Creation Of Credit. Explain any four factors. **(8 Marks)**
- b) Define the following terms(10marks)
- i. Fiat Money
 - ii. Electronic Money
 - iii. Liquidity Trap
 - iv. Deferred payments

QUESTION THREE

- a) Barter system was a system of exchange under which goods are exchanged for goods without the use of money. Discuss four of the challenges faced by barter trade: **(8marks)**
- b) Distinguish between the Classical Theorists and Keynes on Demand for Money **(4marks)**
- c) Define the following Terms. **(4marks)**
- i) Monetary policy:
 - ii) Budget Deficit:

d) Differentiate between Financial and non-financial institutions

(4marks)

QUESTION FOUR

1. Discuss the five roles of financial institutions in the development of the economy. **(10marks)**
2. The Central Bank is entrusted with the responsibility of maintaining economic stability and financial soundness of a country. Discuss the four roles of the central bank in an economy **(10marks)**

QUESTION FIVE

- a) Define the following terms (6 marks)
 - i. Convertible paper money.
 - ii. Inconvertible paper money
 - iii. Credit Rationing
- b) Money must possess certain characteristics in order to carry out its functions. Discuss five these characteristics. **(10marks)**
- c) Explain what financial intermediaries are and give examples of these institutions **(4marks)**.