BACHELOR OF COMMERCE
BACHELOR OF BUSINESS LEADERSHIP
END OF TERM EXAMINATION

DEPARTMENT: BUSINESS
COURSE CODE: BUS 2423
COURSE TITLE: MONEY AND BANKING
TIME:
INSTRUCTIONS

- This examination script consists of **SIX (6)** questions.
- Read all questions carefully before attempting.
- Question **One** is compulsory and Answer any **Four (4)** questions.
- Write your **student number** on the answer booklet provided

SECTION A: COMPULSORY

QUESTION ONE (COMPULSORY)

a) While Barter trade was a dependable form of trade in the pre-monetary period in Africa, it had many challenges. Explain the desirable characteristics of money that makes it better than Barter trade system. (4Marks)

b) Discuss the three key motives which lead to demand for money. (6 Marks)

QUESTION TWO

a) Using examples in each case, explain THREE main underlying principles of the Islamic Banking industry. Explain each one of them. (6 Marks)

b) Explain the meaning of money laundering (2 Marks)

c) Discuss THREE measures banks need to take to prevent money laundering (4 Marks)

QUESTION THREE

a) Discuss FIVE types of accounts offered by commercial banks in Kenya. (5 Marks)

b) Explain five reasons why loans advanced by commercial banks in Kenya do not appeal to many people. (5 Marks)

QUESTION FOUR

Suppose you are given the following information about an economy

$C=80+0.8Yd$ – consumption

$I = 60+0.2Y$ – Tax

$I = 200 - 10i$ – investment

$G = 200$ – Government expenditure

$X = 10$ – export

$M= 150 + 0.06Y$ – imports

$M^D = 0.4Y + 300 - 20i$ – money demand

$M^S = 4000$ – Money supply

Required:

a) Derive the IS and LM schedules. (6 Marks)
b) Calculate equilibrium consumption (4 Marks)

QUESTION FIVE

a) Electronic banking is the latest innovation in the banking industry. Explain five main importance of electronic banking to the banking sector (5 Marks)

b) Discuss the role non-banking financial institutions play in the economic growth and development of a country (5 Marks)

QUESTION SIX

a) Explain financial innovation (2 Marks)

b) In every country there is a government owned institution that is supposed to regulate the amount of money in circulation. This institution is called Central Bank or Federal Reserve and is entrusted with the responsibility and financial soundness. Discuss any four functions of the central bank of Kenya. (8 Marks)