



The Co-operative University of Kenya
END OF SEMESTER EXAMINATION AUGUST-2017
EXAMINATION FOR THE BACHELOR OF COMMERCE
UNIT CODE: HBC 2301

UNIT TITLE: MONEY AND BANKING

DATE: 4TH AUGUST, 2017

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- a. Explain any **FIVE (5)** roles of the central bank in ensuring the stability of the Kenyan economy (10 Marks)
- b. Explain **FOUR (4)** determinants of money supply in an economy (8 Marks)
- c. Explain the difference between the following types of markets;
 - i. primary markets and secondary markets (4 marks)
 - ii. capital markets and money markets (4 marks)
- d. Define the term money (2 marks)
- e. Highlight **FOUR (4)** features of money (2 Marks)

QUESTION TWO

- a. Explain **TWO (2)** limitations to credit creation in an economy (4 Marks)
- b. Discuss any **FOUR (4)** functions of commercial banks in Kenya (8 Marks)
- c. Highlight any **FOUR (4)** characteristics of treasury bills (4 marks)
- d. Explain any **FOUR (4)** advantages of commercial papers (4 marks)

QUESTION THREE

- a. Explain **FOUR (4)** advantages of innovations in the banking sector with reference to Kenyan economy (8 Marks)
- b. Apart from printing money to increase the currency supply in an economy explain any other **FOUR (4)** options regulatory agencies can use to create more money into an economy (8 Marks)
- c. Explain any **TWO (2)** limitations of monetary policies in developing countries (4 Marks)

QUESTION FOUR

- a. Explain **TWO (2)** functions of the following non-deposit taking financial institution
 - i. Co-operative societies (2 Marks)
 - ii. Insurance companies (2 Marks)
- b. Discuss the Keynesian Liquidity Preference Theory (8 Marks)
- c. Explain the **FOUR (4)** functions of money (4 Marks)
- d. Explain any **TWO (2)** roles of money market (4 marks)