

# **The Co-operative University of Kenya**

**END OF SEMESTER EXAMINATION DECEMBER-2018**

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE  
BUSINESS**

**UNIT CODE: HCOB 2102**

**UNIT TITLE: PRINCIPLES OF BANKING**

**DATE: DECEMBER, 2018**

**TIME:**

## **INSTRUCTIONS:**

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

## **QUESTION ONE**

- (a) Monetary policy is the regulation of the economy through the control of the quantity of money available and through the price of money i.e the rate of interest borrowers will have to pay. Discuss the monetary policy instrument that central bank of Kenya uses to control money supply (10 marks)
- (b) Explain the role of Central bank of Kenya (10 marks)
- (c) Clearly differentiate between monetary policy and fiscal policy (4 marks)
- (d) Explain any **THREE** factors that determine investment decision (6 marks)

## **QUESTION TWO**

- (a) The introduction of interest rate cap by Central Bank of Kenya has a significant effect in the economy. Discuss the pros and cons of the interest cap (10 marks)
- (b) Identify and explain any **FIVE** users of financial statements (10 marks)

## **QUESTION THREE**

- (a) A commercial bank is a type of bank that provides services such as accepting deposits, making business loans, and offering basic investment products. Commercial bank can also refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses, as opposed to individual members of the public (retail banking). Discuss the functions of commercial banks (20 marks)

## **QUESTION FOUR**

- (a) Federal Reserve around the world provides essential services and play significant role in economic development. Discuss (10 marks)
- (b) Explain the functioning of the electronic banking system (10 marks)