



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
3RD YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
SPECIAL EXAM

COURSE CODE: AEC 313

TITLE: MONEY AND BANKING

EXAM VENUE:

STREAM: (BBA – FINANCE)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

- i. Explain how presence of Financial Institutions has facilitated economic growth and transformation of a country like Kenya **10 Marks**
- ii. Explain the role of World Bank in maintaining economic stability and growth to the member **10 Marks**
- iii. Explain the benefits of having an independent Central Bank **10 Marks**

QUESTION TWO

- i. Monetary Policy refers to the changes of money supply in an economy, Describe the main issues to be addressed in formulating monetary policy **10Marks**
- ii. Explain the mechanisms used by the Central Bank to supervise commercial banks **10 Marks**

QUESTION THREE

- i. Discuss some of the consequential economic impacts of high and rising rate of inflation in an economy. **10 Marks**
- ii. The Central Bank of Kenya was established soon after the country attained Independence. Explain the reasons why the Central Bank is referred as a Banker to the Government. **10 Marks**

QUESTION FOUR

- i. Assume there is only one bank in the economy and the Central Bank requires that banks maintain a reserve requirement of 15% and total deposit amounts to 50,000. Calculate the required reserve, excess reserve and how much the bank will create **4 Marks**
- ii. Explain the role of Commercial banks in economic growth and development in an economy **8 Marks**
- iii. Describe the assets and liabilities of the Commercial banks as they appear in the balance sheet **8 Marks**

QUESTION FIVE

- i. Explain the key factor that leads to the crisis of the Banking sector in most of the countries of the World **10 Marks**
- ii. Explain the major reforms which have taken place in the financial sector for the last decade giving out relevant examples **10 Marks**