



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR BACHELOR OF LOGISTICS AND SUPPLY**  
**CHAIN MANAGEMENT (BLSCM) AND BACHELOR OF BUSINESS**  
**ADMINISTRATION (With IT)**  
**THIRD YEAR SEMESTER TWO**  
**MAIN CAMPUS (EVENING)**

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**COURSE CODE: AEC 313**

**COURSE TITLE: MONEY AND BANKING**

**EXAM VENUE:**

**STREAM: EVENING**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**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:**

- a) Explain the kinds functions of money 8 marks
- b) Explain the reasons why an individual would prefer to hold wealth in the form of near money assets rather than liquid cash 8 Marks
- c) A commercial bank operating as a monopoly in an economy has received a new deposit of Shs 400 million. If the bank maintains a cash ration of 20%, determine the amount of a additional credit that the bank can create. 4 Marks
- d) Describe the monetary policy prescription which can be used to stimulate economic activity in the rural and informal sectors 10 Marks

**QUESTION TWO:**

- a) Explain any six factors that determines the velocity of the circulation of money 10 Marks
- b) Explain the effects of contractionary monetary policy in an economy. 10 Marks

**QUESTION THREE:**

- a) The International Monetary Fund (IMF) lends to member countries in need for Balance of Payments under various arrangements. Explain these arrangements 10 Marks
- b) Explain the common causes of inflation in developing countries and explain in what ways can inflation impair the functions of money 10 Marks

**QUESTION FOUR:**

- a) One of goals of the monetary policy in any economy is to achieve full employment growth .Describe the various economic policies that should be implemented to achieve this objective 10 Marks
- b) Explain the reasons that led to the introduction of the East African Shilling by the East African currency Board 10 Marks

**QUESTION FIVE**

- a) Describe the assets of a commercial banks as they would appear in the balance sheet 10 Marks
- b) How does the Central Bank of Kenya ensure the commercial banks comply with the minimum ratio 10 Marks