



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION WITH IT**

**3<sup>RD</sup> YEAR 1<sup>ST</sup> SEMESTER 2019/2020 ACADEMIC YEAR**

**MAIN-EVENING**

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**COURSE CODE: AEC 313**

**COURSE TITLE: MONEY AND BANKING**

**EXAM VENUE:**

**STREAM: (BBA-FINANCE)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer ALL questions in section A and ANY other 2 questions in section B**
- 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 Non - Bank Financial Intermediaries has facilitated economic growth and transformation of a country like Kenya 10 Marks
- ii. Explain the challenges of World Bank and International Monetary Fund in maintaining economic stability and growth to the member 10 Marks
- iii. Explain the key difference between the Keynesian and Friedman theories of the demand for money 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 10 Marks
- ii. Explain the mechanisms used and reasons why 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 Interest rate 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 Commercial Banks 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. Describe the process of credit creation among various Banks. 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

### **QUESTION FIVE**

- i. Explain the benefits of having an independent Central Bank 10 Marks
- ii. Explain the role of Commercial banks in economic growth and development in an economy 10 Marks

