



**TECHNICAL UNIVERSITY OF MOMBASA**  
***School of Business***

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF COMMERCE

**BFI 4408: MONEY AND BANKING**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES: JUNE/JULY 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

*This paper consists of Two printed pages*

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**QUESTION 1 (Compulsory)**

- a) Examine the trends in commercial banking in the past two decades in Kenya. Analytically, account for the trends, and on the basis of your account, comment and make a projection on the future of banking in the next decade in Kenya. **(15 marks)**
- b) Giving relevant examples, discuss the challenges facing the banking industry in Kenya. **(15 marks)**

**QUESTION 2**

The existence of a regulatory authority is essential in ensuring order in the conduct of business in any sector. Explain the role of Central Bank in enhancing the growth of the banking sector in Kenya.

**(20 marks)**

### QUESTION 3

It is said that “deposits create loans and loans create deposits”. Explain the mechanism of credit creation in an economy with more than one commercial bank. **(20 marks)**

### QUESTION 4

Describe the general relationship and any **TWO** specific relationships that exist between a banker and a customer. To what extent should these relationships exist. **(20 marks)**

### QUESTION 5

- a) Distinguish between performing and non-performing loans. **(6 marks)**
  
- b) Distinguish the main principles of **sound lending** that banks should consider before extending a loan facility to a customer. **(14 marks)**