



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE

BFI 4408: MONEY AND BANKING

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 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

QUESTION 1 (Compulsory)

- a) With the tremendous growth that has been witnessed in the Kenyan banking industry in recent years, numerous rationales for regulation have been advanced. Discuss the need for bank regulation. **(15 marks)**
- b) The Central Bank of Kenya is charged with the responsibility of carrying out desirable monetary policies aimed at stimulating economic activities in the economy. Describe the instruments used by the Central Bank to achieve the monetary objectives. **(15 marks)**

QUESTION 2

Describe the general and specific relationships that exist between a banker and a customer and show the extent to which these relationship exist. **(20 marks)**

QUESTION 3

- a) Money laundering happens in almost every country in the world, and a single scheme typically involves transferring money through several countries in order to obscure its origin. Explain in detail the money laundering process. **(12 marks)**
- b) Giving relevant examples, discuss why money laundering is not good for the Kenyan economy. **(8 marks)**

QUESTION 4

Discuss the main principles of money and banking, and show how these principles guide the operations of both banking and non-bank financial institutions. **(20 marks)**

QUESTION 5

- a) Describe how Customer Information Sharing (CIS) will help reduce default rates in the banking sector. **(10 marks)**
- b) On what grounds can a bank refuse to honour cheques drawn by its customer? **(10 marks)**