



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BFI 4408: MONEY AND BANKING

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 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) Money was created to reduce cost of exchange. Discuss. **(10 marks)**
- b) Briefly discuss the evolution of the East African Currency Board and how it came to acquire the many functions of a Central Bank today in Kenya. **(10 marks)**
- c) Using an appropriate example, explain how credit creation is achieved in a banking system with more than one commercial bank. **(10 marks)**

QUESTION 2

- a) Asset-Liability Management Committee (ALCO) of a bank plays a critical role in the success of any bank. Discuss the role played by ALCO. **(10 marks)**
- b) Giving relevant examples, discuss the challenges facing banking industry in Kenya. **(10 marks)**

QUESTION 3

- a) The relationship between a banker and a customer is that of a debtor and a creditor. Discuss. **(10 marks)**
- b) Discuss the rights of a banker towards its customers. **(10 marks)**

QUESTION 4

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.

- a) Explain in detail the money laundering process. **(10 marks)**
- b) Explain the consequences of money laundering in an economy and how the regulator has come in to curb this vice. **(10 marks)**

QUESTION 5

Write short notes on the following:

(4 marks each)

- a) Banking and Non-banking Institutions
- b) Fixed Deposits and Call deposits
- c) Islamic Banking and Conventional banking
- d) Performing and Non-Performing loans
- e) Direct Credit and Standing order