



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATION FOR:

BACHELOR OF COMMERCE/BACHELOR OF BUSINESS ADMINISTRATION

BFI 4408 MONEY AND BANKING

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2024

TIME: 2 HOURS

DATE: Pick Date Select Month Pick Year

Instructions to Candidates

You should have the following for this examination.

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other **TWO** questions.

Do not write on the question paper.

Question ONE

Players in the financial services sector have been encouraged to consider the needs of the population while designing products and services to reinforce the sector's contribution to financial inclusion and economic growth. While Speaking during the launch of the 'Chora Plan' (Plan Your Money) financial literacy campaign, Central Bank of Kenya Governor Dr. Kamau Thugge said that although the finance and insurance sector continues to be one of the key services sectors driving Kenya's economic growth, much more can be done to expand the sector and further catalyze the country's growth. He emphasized that it was imperative that the financial services they provided cater to the needs of their customers. He asked them to address day-to-day necessities, help their clientele cope with financial shocks, and enable investments in future. He challenged financial institutions to reflect on whether their products and services truly meet the financial health needs of Kenyans, particularly those at the bottom of the pyramid. The Governor also encouraged financial



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service providers to rationalize their costs, enhance customer service and experience, and improve transparency and disclosure of their terms and conditions, besides raising awareness among customers about emerging forms of fraud, including social engineering and identity theft. Kenya Bankers Association. Wednesday, 12th June 2024

- a) Explain briefly the agency functions performed by commercial banks (10marks)
- b) E-Banking is a method of banking through electronic system. Discuss four reasons to account for its rising. (8marks)
- c) Explain the process of money creation by the commercial banks with the help of a numerical example. (4marks)
- d) Elaborate the modern trends in the banking industry in Kenya (8marks)

Question TWO

- a) Analyze the differences between commercial banks and non-banking financial institution (10marks)
- b) Identify the role played by International Monetary Fund (IMF) in international trade (10marks)

Question THREE

- a) Identify four roles of CBK as a government Bank (8marks)
- b) Discuss the tools used by the CBK to control the money supply and how they influence the money supply, and in turn, affect macroeconomic factors. (12marks)

Question FOUR

- a) Discuss the quantity theory of money. (6marks)

The quantity theory of money (QTM) assumes that the quantity of money in an economy has a large influence on its level of economic activity. So, a change in the money supply results in either a change in the price levels or a change in the supply of goods and services, or both. In addition, the theory assumes that changes in the money supply are the primary reason for changes in spending

- b) Explain the three functions of money defined by neoclassical economic theory.
- a) Discuss the roles money plays in economic development. (8marks)

Question FIVE

- a) Explain four circumstances under which a trader would operate a fixed deposit account (8marks)



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- b) Discuss the reasons why barter trade was vacated
- c) Briefly talk about the motives of holding money

(6marks)
(6marks)

