The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE/ BACHELOR OF SCIENCE IN FINANCE
(BCOM YR III SEM I/ B.SC-F YR II SEM I)

UNIT CODE: HBC 2301/ CMFI 2207

UNIT TITLE: MONEY AND BANKING

DATE: 18TH DECEMBER, 2016 **TIME: 9:00 AM – 11:00 AM**

INSTRUCTIONS:
- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) Define the following
- i) Commercial Bill (2 Marks)
- ii) Treasury Bills (2 Marks)
- iii) Certificate of Deposits (2 Marks)
- iv) Promisory notes (2 Marks)
- v) Bill of Exchange (2 Marks)
- vi) Cheque (2 Marks)

(b) Distinguish between:
- i. Inflation and deflation of money. (4 Marks)
- ii. Narrow money and Broad money. (4 Marks)

(c) Identify FIVE constraints on the banks ability to create money. (10 Marks)

QUESTION TWO

(a) Explain the functions of the following Non – deposits Financial Institutions.
- i. Insurance companies
- ii. Pension funds
- iii. Co-operative societies
- iv. Mutual funds. (20 Marks)

QUESTION THREE

(a) Explain any FIVE (5) advantages of innovations in the banking sector in Kenya. (10 Marks)

(b) Explain FOUR roles of Central bank of Kenya in ensuring the stability of the Kenya economy. (10 Marks)

QUESTION FOUR

(a) Keynes concept of liquidity preference refers to the desire to hold money rather than other forms of wealth. The concept identifies (3) THREE reasons state them.

(b) Explain 2 main characteristics of assets which financial institutions may use as security collateral. (20 Marks)

QUESTION FIVE

(a) High light the e-banking channels and discuss the advantages of e-banking to:-
- (i) The bank
- (ii) Individual custom
- (iii) National economy
- (iv) The society. (20 Marks)