

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF  
BACHELOR OF COMMERCE**

**BCOM 333: MONEY AND BANKING**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 24/3/2021**

**8.30 AM – 10.30 AM**

**INSTRUCTIONS:**

- Answer question ONE (Compulsory) and any other TWO
- Do not write anything in the question paper.

1.(a) The development of monetary economy is a natural and inevitable evolution process from original barter system to current money system.

(i) Explain the causes of this inevitable evolution. [10 Marks]

(ii) Describe the evolution process up to the current monetary economy. [10 Marks]

(b) By use of an illustration describe how commercial banks create credits in a state economy. [10 Marks]

2(a) Explain the various forms of money operating in the global market. [8 Marks]

(b) (i) With an illustration explain how the value of money is determined in quantity theory. [6 Marks]

(iii) Highlight the assumptions of the theory. [6 Marks]

3(a) Banks plays an important role of advancing credits to the public. Explain the role of such credit in the economic development of a country. [8 Marks]

(b) In a country thee are five banks namely Afro, Bank (A) Benrose bank (B) Capital bank

(c) Diamond bank (d) and Equatorial bank (e) Afro bank.

These banks have drawn cheque on demand from other banks as followsw:

Afro bank – (B) 500,000 (C) 450,000 (D) 520,000 € 630,000

Benrose bank – (A) 350,000 (C) 600,000 (D) 750,000 (E) 480,000

Capital bank – (A) 320,000 (B) 380,000 (D) 420,000 (E) 200,000

Equatorial bank – (A) 650,000 (B) 390,000 (C) 790,000 (D) 180,000

Required to show how the clearing house process shall be conducted within the banks, showing what each bank owes the other. [10 Marks]

(c) Highlight any four challenges the commercial banks in Kenya faces in lending loans to the public. [2 Marks]

4(a) Describe the role of the following non-banking institutions in the economy.

(i) Insurance firms [4 Marks]

(ii) Investment trusts [4 Marks]

(b) Describe the various factors that may cause inflation in a country. [10 Marks]

(c) Outline any four objectives of monetary policy. [2 Marks]

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