

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 333: MONEY AND BANKING

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: MONDAY 29/03/2021

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions.**
- **Do not write anything on question paper.**

1. (a) In the global medium of exchange was compelled to move from barter trade system to monetary system due to unpopularity od barter. Discuss. (12 marks)
- (b) Suppose there are five commercial banks in a country namely A, B, C, D and E. The central bank has fixed a bank deposit retention ratio of 10%. Then bank A advances a loan of Sh. 20,000,000 to a customer. Compute and show how the credit can be created in the economy. (10 marks)
- (c) Write short notes on the following
- (i) Bills of exchange (4 marks)
- (ii) Promissory notes (4 marks)
2. (a) Describe and critically examine the quantity theory of money in determining currency value in an economy. (12 marks)
- (b) State and briefly explain the role of commercial banks in the economic development of a country. (8 marks)

3. (a) The Central Government can apply various methods of controlling the money supply in an economy. Explain the various Fiscal policies measures that the government uses in implementing Fiscal policy showing how it affects the operations of economic systems. (10 marks)
- (b) Describe the various causes of inflation in a county. (10 marks)
4. (a) Describe the various methods applied by central bank of Kenya in controlling credit advancement in the economy. (12 marks)
- (b) Briefly explain the various kinds of money existing in the global economy. (8 marks)
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