

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 333: MONEY AND BANKING

STREAMS: BCOM
DAY/DATE: FRIDAY 09/7/2021

TIME: 2 HOURS
11.30 A.M. – 1.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write on the question paper

QUESTION ONE

- (a) In the global medium of exchange was compelled to move from batter trade as it proved to be very unpopular. Explain the unpopularity of this system. [10 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 ration of 10%. Then bank advances a loan of sh 10,000,000 to a Mrs. Ann Nyanchama customer. Compute and show how the credit can be created by these commercial banks in the economy. [12 marks]
- (c) Describe the various factors that can cause inflation in a country [8 marks]

QUESTION TWO

- (a) Money has passed various stages of evolution to the current state of modern money. Describe this evolution process up to current modern money. [6 marks]
- (b) Describe the qualities that every country tries to fulfill to make its money acceptable for use within and outside its borders. [8 marks]
- (c) Insurance industry is also classified as a financial institution like banks but a none deposit institution, based on this criterion explain the role of insurance companies in economic development of a country [6 marks]

QUESTION THREE

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- (a) Describe the various monetary systems that have been in used in the global financial markets. [8 marks]
- (b) Critically examine the quantity theory of money and how the theory is used to determine money value. [12 marks]

QUESTION FOUR

- (a) Explain the functions of commercial banks in the economic development of any country [6 marks]
- (b) With an aid of an illustration describe how a clearing house works in a country [10 marks]
- (c) Outline the objectives of momentary [4 marks]
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