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MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 311**

**COURSE TITLE: BANKING THEORY AND PRACTICE**

**DATE: 25TH APRIL 2017 TIME: 2.00PM-4.00PM**

**INSTRUCTIONS TO CANDIDATES**

* ***Answer question ONE (compulsory) and any other THREE***
* ***Question one carries 25 marks***
* ***All other questions carry 15 marks***

*This paper consists of 2 printed pages. Please turn over*

**QUESTION 1**

1. Define the following terms as used in banking
2. Money **(1mark)**
3. Inflation **(1mark)**
4. Deflation **(1mark)**
5. Capital market  **(1mark)**
6. Giving examples, explain the different effects of inflation **(8 marks)**
7. Describe the limitations of banking rate policy. **(8 marks)**
8. State five functions of the central bank of Kenya **(5 marks)**

**QUESTION 2**

1. Explain the role non-bank financial intermediaries in the Kenyan economy. **(10marks)**
2. Explain five properties of good money **(5 marks)**

**QUESTION 3**

1. Define the following terms;
2. Capital Market **(2marks)**
3. Commercial Bank **(2marks)**
4. Highlight the major functions of money. **(6 marks)**
5. Explain the role of money market in the economy development. **(5marks)**

**QUESTION 4**

Describe the role of money in different economic systems namely, capitalist, socialist, and planned systems of economy. **(15 marks)**

**QUESTION 5**

1. Describe the three motives for holding money in the form cash balances under Keynesian approach.  **(9marks)**
2. Explain six determinants of money supply **(6marks)**