

EDB 301



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER MAIN EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
EDUCATION ARTS**

COURSE CODE: EDB 301

**COURSE TITLE: MONEY AND THE BANKING
PRACTICE**

DATE: 31ST JANUARY 2022

TIME: 2 P.M TO 5 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

MAIN EXAM**EDB 301: MONEY AND THE BANKING PRACTICE****STREAM: BED (Arts)****DURATION: 3 Hours****INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE

- (a) Describe the following monetary policy
 - (i) Open-market operations (4 marks)
 - (ii) Reserve requirements (4 marks)
- (b) Keynesian economics is a macroeconomic economic theory of total spending in the economy. Basing on this, explain the components of aggregate demand (6 marks)
- (c) Money has several defining characteristics. Discuss. (8 marks)
- (d) Construct the index number using the Dorbish and Bowley's formula (8 marks)

Commodity	Base year		Current year	
	P ₀	q ₀	p _i	q _i
A	20	3	25	4
B	40	4	50	6
C	60	7	35	8
D	30	5	43	5

QUESTION TWO

Bank regulation is a form of government regulation which subjects banks to certain requirements, restrictions and guidelines. Analyze;

- (a) The need for banking regulation (10 marks)
- (b) The key principles of the Banking Act (10 marks)

QUESTION THREE

The emergence of financial technology has resulted in the introduction of several technological advancements in the banking industry. In view of this, elaborate on the following;

- (a) The observable trends in the Kenya's banking practice (8 marks)
- (b) The obstacles of banking industry in the globalized economy (12 marks)

QUESTION FOUR

- (a) Write short notes on the following theories for interest rate determination;
 - (i) Loanable fund theory (4 marks)
 - (ii) Abstinence theory (4 marks)
- (b) In Kenya, interest rates are determined by various factors. Discuss. (12 marks)

QUESTION FIVE

- (a) Explain the key characteristics that most banks maintain as far as banking ethical guidelines are concerned (8 marks)
- (b) Central bank of Kenya is tasked with determination of money supply and other role. Support this statement. (12 marks)