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**University Examinations 2015/2016**

THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE

OF

BACHELOR OF COOPERATIVE MANAGEMENT

**BCM 2223: COOPERATIVE BANKING**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. The development of money was necessitated by specialization and exchange. Money was needed to overcome the shortcomings and frustrations of the barter system which is system where goods and services are exchanged for other goods and services. Discuss the disadvantages of barter trade. (10 marks)
2. In modern economy, commercial banks have various functions. Discuss five such functions (10 marks)
3. Discuss the impact of Information Communication and Technology in the operations of cooperative banks (10 marks)

**QUESTION TWO (20 M ARKS)**

1. State clearly the meaning of Liquidity Preference as applied to an individual and a commercial bank (10 marks)
2. How does a commercial bank reconcile the need for security, liquidity and profitability in distribution of the assets? (10 marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the functions of money in an economy. (10 marks)
2. Discuss the main reasons why money markets in Kenya are not fully developed (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Explain the term hyperinflation. (2 marks)
2. What is the effect of high and rising inflationary rate on the rate of interest? (4 marks)
3. Suggest economic measures to curb inflation. (8 marks)
4. Discuss any six characteristics of money. (6 marks)

**QUESTION FIVE (20 MARKS)**

1. Explain the term Monetary Policy. (2 marks)
2. Discuss any four instruments of this policy used to control and regulate money supply by the Central Banking Authorities. (12 marks)
3. What limits the successful application of these tools (in b above) in developing countries? (6 marks)