



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF ARTS IN ECONOMICS WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

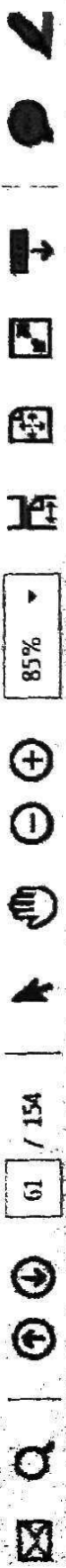
AEC 313: MONEY AND BANKING

Date: 13th December, 2016

Time: 8.30 - 11.30 am

INSTRUCTIONS:

- Answer question ONE in SECTION A and any other TWO questions from SECTION B.
- Question one has 30 marks and all other question carry 20 marks each



SECTION A

Q1(a) Explain the meaning of money according to David Collendar

(3 marks)

(b) "The use of money has converted the barter economy of the past into a monetary economy of today" Critically discuss the primary function of money to the economy of Kenya

(20 marks)

(c) Differentiate subsidiary money from standard money

(7 marks)

SECTION B

Q2(a) Explain the meaning of a cheque

(2 marks)

(b) Critically explain the following four (4) negotiable instruments

(i) Promissory note

(2 marks)

(ii) Crossed cheque

(4 marks)

(iii) Demand draft

(4 marks)

(iv) Open cheque

(4 marks)

Q3 Discuss the relative merits and demerits of unit banking

(20 marks)

Q4 Critically explain the role of Central Bank in promoting economic growth in a developing Country

(20 marks)

Q5(a) Explain the reasons why a bank may decide to dishonor a cheque

(6 marks)

(b) Differentiate between a bill of exchange and a cheque

(6 marks)

(c) Describe the qualitative methods of credit control used by the Central Bank to control the creation of credit by Commercial Banks

(8 marks)