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**University Examinations 2014/2015**

THIRD YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR DEGREE OF BACHELOR OF COMMERCE

**BEC 3303: MONEY AND BANKING**

 **DATE: OCTOBER 2015 TIME: 2 HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Describe the banking law and its importance to the Nation’s economy. (6 Marks)
2. Explain source of the Law of Banking in Kenya. (6 Marks)
3. Describe functions of Commercial Banks. (8 Marks)
4. Explain by giving an example, the Required Reserve Ratio (RRR) used by Central Bank to control money supply in a country. (10 Marks)

**QUESTION TWO (20 MARKS)**

1. Explain the following facts about risk structure on bank interest rates.
2. Default risk. (4 Marks)
3. Liquidity. (4 Marks)
4. Income tax considerations (4 Marks)
5. Explain the nature of banker/customer relationship. (8 Marks)

**QUESTION THREE (20 MARKS)**

Discuss the role of Non-bank Financial Institutions (NBFIs) in Kenyan society and give real examples. (20 Marks)

**QUESTION FOUR (20 MARKS)**

1. Describe the:
2. History of money (6 Marks)
3. Evolution of money (6 Marks)
4. Evolution of money in Kenya. (8 Marks)