



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

CITY CAMPUS - EVENING

AEC 313: MONEY AND BANKING

Date: 2nd December, 2016

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other TWO questions.
- Question ONE carries 30 marks and the rest 20 marks each.

SECTION A

- Q1(a)** Explain the meaning of money (2 marks)
- (b)** Differentiate wealth from income (3 marks)
- (c)** Describe the three (3) stages through which money has passed to its present form (10 marks)
- (d)** Critically explain the function of Commercial Banks in Kenya (15 marks)

SECTION B

- Q2(a)** Differentiate between a bank draft and a promissory note (6 marks)
- (b)** Describe in details the three(3) types of accounts that are offered by Commercial Banks in Kenya to the customers (14 marks)
- Q3(a)** Differentiate between currency principle and banking principle (6 marks)
- (b)** Explain the process of credit creation by Commercial Bank (14 marks)
- Q4(a)** Describe the principles that are followed by a Commercial Bank in lending money to the customers (15 marks)
- (b)** Discuss the features of a bill of exchange (5 marks)
- Q5(a)** Critically discuss the quantitative methods of credit control that are used by the Central Bank of Kenya to control the creation of credit by Commercial Bank (10 marks)