



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**THIRD YEAR SECOND SEMESTER EXAMINATIONS FOR THE  
DEGREE OF BACHELOR OF ART IN ECONOMICS WITH  
INFORMATION TECHNOLOGY**

**CITY CAMPUS—EVENING**

**AEC 313: MONEY AND BANKING**

Date: 14<sup>th</sup> June, 2017

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.
- Do not write on a question paper.



**SECTION A**

Q1(a) Explain the meaning of money (2 marks)

---

(b) "A producer can acquire the services of factors of production through the payment of money and he can produce different goods and by selling these goods he can make profit"  
Describe three evolution stages of money and show how each Stage is an improvement over the previous stage (20 marks)

(c) Differentiate between Bank draft and Bill of exchange (8 marks)

**SECTION B**

Q2(a) "The government needs money to complete different Development programmes. The use of money has Converted a barter economy of the past into a monetary Economy" Critically explain the primary functions of Money to the economy of Kenya (15 marks)

(b) Distinguish bankers's cheque from promissory note (5 marks)

Q3. "A bank invests in order to earn profit. It keeps primary and secondary reserves to meet its liquidity requirements". Describe five (5) principles that are followed by a Commercial Bank when they lend money to the customers" (20 marks)

Q4(a) Commercial Bank are not the same, they differ in their Organization and structure from Country to Country. Discuss the advantages and disadvantages of Branch banking in Kenya. (16 marks)

(b) Discus four (4) reasons why a bank my dishonor a Cheque (4 marks)

---

Q5(a) By using a deposit of Kshs. 10,000 and 10% required Reserve, explain the process of credit creation by a Commercial Bank (10 marks)

(b) Discuss the functions that are offered by Central bank of Kenya for the economic development of the economy (10 marks)