PAN AFRICA CHRISTIAN UNIVERSITY

DEPARTMENT: BUSINESS

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: CFN404

COURSE TITLE: MONEY & BANKING

DATE: FRIDAY

TIME: 5.30 PM

INSTRUCTIONS

- This examination script consists of **six (6)** questions.
- Answer ANY four Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

QUESTION ONE

With a relevant example drawn from Kenyan economy, describe how money functions as a:

a) Store of Value (5marks)
b) Standard of Deferred Payment (5 marks)

QUESTION TWO

Giving a relevant example in each case, discuss how commercial banks in Kenya achieve the following objectives:

a) Maintaining economic stability (5 marks)
b) Profitability (5 marks)

QUESTION THREE

'A higher rate of interest will induce people to hold less cash'. Using two examples drawn from Kenyan economy, discuss this statement (10 marks)

QUESTION FOUR

a) Define the term monetary policy (2 marks)
b) Discuss any four instruments of monetary policy that are used by the Central Bank of Kenya to stabilize the economy (8 Marks)

QUESTION FIVE

Identify any two monetary authorities and explain their roles in economic development in Kenya (10 Marks)

QUESTION SIX

With two relevant examples in Kenya, explain how unanticipated price level channel of monetary transmission mechanisms affect:

a) Lending activities (5 Marks)

b) Investment activities (5 Marks)