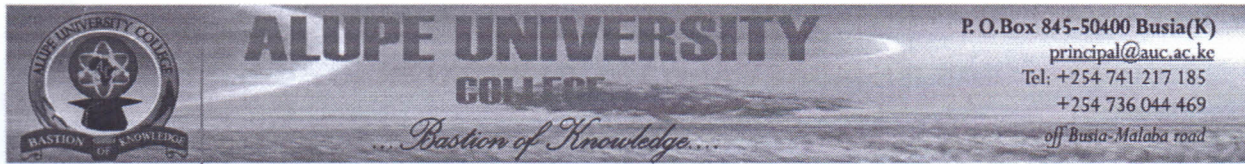


EDB 301



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER MAIN EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
EDUCATION ARTS**

COURSE CODE: EDB 301

**COURSE TITLE: MONEY AND THE BANKING
PRACTICE**

DATE: 10TH MARCH, 2021

TIME: 2PM – 5PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

MAIN EXAM**EDB 301: MONEY AND THE BANKING PRACTICE****STREAM: BED (Arts)****DURATION: 3 Hours****INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE

- (a) Describe the following monetary policy
 - (i) Open-market operations (4 marks)
 - (ii) Reserve requirements (4 marks)
- (b) Keynesian economics is a macroeconomic economic theory of total spending in the economy. Basing on this, explain the components of aggregate demand (6 marks)
- (c) Money has several defining characteristics. Discuss. (8 marks)
- (d) Construct the index number using the Dorbish and Bowley's formula (8 marks)

Commodity	Base year		Current year	
	P ₀	q ₀	p _i	q _i
A	20	3	25	4
B	40	4	50	6
C	60	7	35	8
D	30	5	43	5

QUESTION TWO

- (a) Evaluate the need for banking regulation (10 marks)
- (b) Using the Kenyan context, examine the following;
 - (i) The secondary function of commercial banks (4 marks)
 - (ii) The key challenges facing financial institutions (6 marks)

QUESTION THREE

Due to the advent of digital technology, banking and financial services have undergone a massive shift in their mode of operations. As a result, analyze;

- (a) Trends in the banking practice (8 marks)
- (b) Challenges of banking in the globalized economy (12 marks)

QUESTION FOUR

- (a) Distinguish between waiting and Agio theory of interest rate determination (4 marks)

(b) Why are interest rates important? (4 marks)

(c) Discuss the foremost determinants of interest rates in most economies (12 marks)

QUESTION FIVE

(a) Discuss the 'building blocks' of high powered money (8 marks)

(b) Other than determination of money supply, explain other roles played by the central bank of Kenya (12 marks)