



GARISSA UNIVERSITY

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR THREE
FIRST SEMESTER EXAMINATION**

SUPPLEMENTARY/SPECIAL EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 310

COURSE TITLE: BANKING THEORY AND FINANCE

EXAMINATION DURATION: 3 HOURS

DATE: 20/03/18

TIME: 9.00-12.00 PM

INSTRUCTION TO CANDIDATES

- **The examination has FIVE (5) questions**
- **Question ONE (1) is COMPULSORY**
- **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
- **Use sketch diagrams to illustrate your answer whenever necessary**
- **Do not carry mobile phones or any other written materials in examination room**
- **Do not write on this paper**

This paper consists of TWO (2) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) In the recent past cases of money, laundering has been on the rise worldwide. Various countries have put measures to curb this trend. With reference to Kenya discuss five anti money laundering measures **[10 marks]**
- (b) During inflationary periods, the Central Bank may reduce the amount of money in circulation. Briefly describe five ways it can adopt to achieve this. **[10 marks]**
- (c) Outline any five advantages of internet banking **[5 marks]**

QUESTION TWO

- (a) With reference to the Banking (Amendment) Act 2015, explain the pricing of loans by commercial banks in Kenya. **[6 marks]**
- (b) Describe any three accounts that a customer can maintain with the commercial banks **[3 marks]**
- (c) Explain the concept of asset financing as applied by commercial banks **[6 marks]**

QUESTION THREE

- (a) Describe any five types of risks that banks face **[10 marks]**
- (b) Outline any five advantages of unit banking **[5 marks]**

QUESTION FOUR

- (a) Discuss the role of commercial banks in the economy **[10 marks]**
- (b) Describe the objectives of effective corporate governance practices **[5 marks]**

QUESTION FIVE

- (a) Describe the challenges facing implementation of Islamic banking in Kenya **[7 marks]**
- (b) Explain any four mechanisms that banks employ in mitigating risks **[8 marks]**

