



## **GARISSA UNIVERSITY COLLEGE**

*(A Constituent College of Moi University)*

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR THREE  
SECOND 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: 26/09/17**

**TIME: 2.00-5.00 PM**

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### **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]**

