

KIBABII UNIVERSITY COLLEGE

FACULTY OF EDUCATION AND SOCIAL SCIENCES

DEPARTMENT OF BUSINESS MANAGEMENT AND ECONOMICS

UNIVERSITY EXAMINATIONS 2013/2014

MAIN EXAM

DBF 104: BANKING PRACTICE AND LAW

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION ONE (25mks)

- (a) Summarize the structure of banking in Kenya (5mks)
- (b) What is banking business (3mks)
- (c) What is a commercial bank (2mks)
- (d) How does CBK exercise its supervisory function over the activities of commercial banks.
- (e) The central Bank of Kenya ensures liquidity, solvency and proper functioning of financial systems. How is this achieved? (6mks)
- (f) State the THREE ways to trade foreign currency exchange rates (3mks)
- (g) What do you understand by the term collateral within the banking circles (3mks)

(Total 25 mks)

QUESTION TWO

The principal objective of the central Bank is to formulate and implement monetary policy, and to foster liquidity, solvency and proper functioning of a stable market based financial system.

Apart from the above highlight other secondary objectives.

QUESTION THREE

Discuss briefly the FIVE principles of Better borrowing (15mks)

QUESTION FOUR

What are the basic functions of a commercial bank (15mks)

QUESTION FIVE

What are the causes of failure of commercial banks?