



GARISSA UNIVERSITY

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

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 310

COURSE TITLE: BANKING THEORY AND PRACTICE

EXAMINATION DURATION: 3 HOURS

DATE: 06/12/17

TIME: 2.00-5.00 PM

INSTRUCTION TO CANDIDATES

- The examination has SIX (6) 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) Discuss the functions of central bank in economic development [9 marks]
- (b) Define the following terms
- i. Banking [2 marks]
 - ii. Demand deposits [2 marks]
 - iii. Near Banks [2 marks]
 - iv. Bank Overdraft [2 marks]
- (c) Explain the functions of commercial banks [8 marks]

QUESTION TWO

- (a) Discuss the key challenges banking industry in Kenya is facing [10 marks]
- (b) Outline the main banking operations [5 marks]

QUESTION THREE

- (a) Describe the main sources of funds for commercial banks [10 marks]
- (b) Explain the functions of a Trust Company [10 marks]

QUESTION FOUR

- (a) Discuss the characteristics of Credit Unions [9 marks]
- (b) Briefly explain the main characteristics of assets [5 marks]

QUESTION FIVE

- (a) Explain the causes of financial distress and banking crisis in Islamic Banking [10 marks]
- (b) Discuss the success criteria of Islamic Banks [10 marks]

QUESTION SIX

- (a) What is the rationale for regulation of financial institutions central bank? Discuss [7 marks]
- (b) Outline and explain the manner in which advancing of loans is done [8 marks]

