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**GARISSA UNIVERSITY**

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

**THIRD 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: 09/08/18 TIME: 09.00-12.00 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)**

1. Explain the following banking theories
2. Financial intermediation theory [**2 marks]**
3. Fractural reserve theory **[2 marks]**
4. The credit creation theory [**2 marks]**
5. Describe the role of central bank of Kenya in economic development **[8 marks]**
6. Distinguish between loan syndication and consortium lending **[4 marks]**
7. Discuss the functions of audit and internal control system in a banking institution **[7 marks]**

**QUESTION TWO**

1. Briefly explain three types of managerial risks that affect banking institutions **[3 marks]**
2. Cleary explain the functions of management information systems in banks [**12 marks]**

**QUESTION THREE**

1. Credit creation is one of the core functions of commercial banks. Highlight some of the limitations in relation to this function **[6 marks]**
2. Briefly explain six main functions of the central bank of Kenya **[9 marks]**

**QUESTION FOUR**

1. Distinguish between real asset financing and equity release mortgages **[5 marks]**
2. Discuss the benefits to user of equity realize mortgages **[10 marks]**

**QUESTION FIVE**

1. Explain the distinguishing features of Islamic banking **[8 marks]**
2. Name two online services offered by commercial banks in Kenya **[2 marks]**
3. Describe the advantages of internet banking to the users **[5 marks]**

**QUESTION SIX**

1. Enumerate the expected standards of behavior in codes of ethics in banking industry in Kenya [**4 marks]**
2. Describe the term, money laundering **[2 marks]**
3. Critically analyze the various methods of money laundering **[9 marks]**