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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE CERTIFICATE IN BANKING AND FINANCE**

Date: 7<sup>th</sup> August, 2024  
Time: 2.30pm – 4.30pm

**CBF 201 ELEMENTS OF BANKING**

**INSTRUCTIONS TO CANDIDATES**

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**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE (30 MARKS)**

- a) Overtime money has evolved from simple form of exchange to complex system of currency and financial instrument. Outline six classifications of money (6 Marks)
- b) Money has eliminated the problems that were experienced during barter trade. Identify Six characteristics of money (6 Marks)
- c) The central bank of Kenya was established through the bank act 1966. Discuss Three Functions of central bank of Kenya. (6 Marks)
- d) Non-banking financial institutions acts as intermediaries in the economy. Identify six Non-Banking financial Institutions in Kenya (6 Marks)
- e) "A customer is always right". Discuss Three right of a Customer in a banking system (6 Marks)

**QUESTION TWO (20 MARKS)**

- a) Over time money has evolved from simple forms of exchange to complex systems of currency and financial instruments. Identify six forms of currency/financial instrument (6 Marks)
- b) Money is a medium of exchange. Outline six major disadvantages of money (6 Marks)
- c) Identify six types of banks in Kenyan economy (6 Marks)
- d) A promissory note is unconditional undertaking for one party to pay a certain amount to the order of a certain person. State two parties to promissory note (2 Marks)

### **QUESTION THREE (20 MARKS)**

- a) Equity bank is a banker in the Kenyan Economy and in other countries. Explain five duties of a banker to its customers (5 Marks)
- b) Jane want to open a current account. Outline six advantages of having a current account (6 Marks)
- c) The relationship of a bank and its customer is contractual. Explain two ways in which the relationship can be terminated (4 Marks)
- d) A cheque is order by the account holder to his bank directing the bank to pay on demand a specified amount to a specified person
- Identify five types of cheques (5 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Negotiable instruments are documents used for making payment. Outline Six features of a negotiable instrument (6 Marks)
- b) Explain three forms of e-banking service and delivery channels (6 Marks)
- c) Credit creation refers to the process of expanding availability of money though advancement of loans and credits by banks and other financial institutions. Outline three limitations of credit creation (3 Marks)
- d) Discuss Five determinants of money supply in the economy (5 Marks)

### **QUESTION FIVE (20 MARKS)**

- a) Outline Seven disadvantages of barter trade system (7 marks)
- b) Money plays crucial role in the economy. Highlight five roles of money in the Kenyan economy (5 Marks)
- c) Identify Four functions of International Bank of Reconstruction and Development (IBRD) (4 Marks)
- d) Outline four differences between Central Bank and commercial bank (4 Marks)