



**MAASAI MARA UNIVERSITY**  
**REGULAR UNIVERSITY EXAMINATIONS**  
**2022/2023 ACADEMIC YEAR**  
**THIRD YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**  
**BACHELOR OF COMMERCE**

**COURSE CODE: BCM 3114-1**  
**COURSE TITLE: BANKING THEORY AND**  
**PRACTICE**

**DATE: 8<sup>TH</sup> DECEMBER 2022**

**TIME: 1430-1630**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **TWO** Questions

*This paper consists of 2 printed pages. Please turn over.*

### **Question One**

- a) With reference to money laundering, define the following concepts.
  - i) Placement **(2 Marks)**
  - ii) Layering **(2 Marks)**
  - iii) Integration **(2 Marks)**
- b) Discuss FIVE functions of commercial banks in Kenya. **(5 Marks)**
- c) Evaluate FIVE types of international banking offices. **(5 Marks)**
- d) Analyze FOUR business activities prohibited by Islamic banking. **(4 marks)**

### **Question Two**

- a) With reference to the Kenyan economy, discuss FIVE functions of Central Banks. **(5 Marks)**
- b) Discuss FIVE measures undertaken by commercial banks in Kenya to enhance financial inclusion. **(5 Marks)**
- c) With reference to the Kenya banking system, Evaluate FIVE services offered by corporate banking. **(5 Marks)**

### **Question Three**

- a) Discuss FIVE factors that Central Bank of Kenya considers before granting a license to an applicant to operate as a commercial bank in Kenya. **(5 Marks)**
- b) In the context of Kenya Banking Act, highlight factors that disqualify a person from being appointed as an auditor of a commercial bank. **(5 Marks)**
- c) Evaluate FIVE actions that would be taken by Central Bank of Kenya in case an auditor's report, under section 24(4) reveals that a commercial bank conducts its business in a manner contrary to the provisions of the Act, or in any manner detrimental to or not in the best interests of its depositors or members of the public. **(5 Marks)**

### **Question Four**

- a) Define the following terminologies as used in the banking industry.
  - i) Bank runs. **(3 Marks)**
  - ii) Bubbles and crashes. **(3 Marks)**
- b) Describe the composition of the Board of Directors of the Central Bank of Kenya. **(4 Marks)**
- c) Discuss FIVE causes of financial crisis in an economy. **(5 Marks)**