# School of Business and Economics

# JaramogiOgingaOdinga University of Science and Technology

AEC 313: MONEY AND BANKING

Course outline: MAY-SEPT 2014

Class meets: Sunday

Time:  10.00-1.00 pm

Room: LR 15

**Course Description:**

**Expected Learning Outcomes:**

At the end of the learning exercise, the learner is expected to:

1) Understand the use of money and banking in day to day business problems
2) Demonstrate  a concise understanding of money and banking
3) Understand the behaviour of  principles of money and banking
4) Demonstrate an understanding of use of  money and banking  in solving business problems

**Topics Covered:**

| Week | Topic | Total Contact Hours |
|---|---|---|
| **One** | History and growth of banking in east Africa | |
| **Two** | The role of commercial  and central banks<br>- The role of central banks<br>- The central banks changing roles<br>- The functions of commercial banks<br>- Banks services<br>- regulation | |
| **Three** | Creation and supply of money and its determinants<br>- The determinants of money supply | |
| **Four** | Financial intermediaries<br>- The role of financial intermediaries<br>- The role of non-bank financial intermediaries | |
| **Five** | Modern quantity theory and demand for money in an exchange economy | |

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|---|---|---|
| | - Functions of money<br>- Effects of inflation on the functions of money<br>- the classical quantity theory of money<br>- the Keynesian viewpoint<br>- the monetarist viewpoint | |
| **Six** | The monetary mechanism and financial institutions | |
| **Seven** | The quantity of money and price level<br>- Functions of money<br>-The effects of inflation on the functions of money | |
| **Eight** | Determinants of interest rates and theories of interest<br>- The theory of interest rates<br>- Economic forces affecting the market rate | |
| **Nine** | - Market equilibrium<br>- Real and nominal interest rates: Fisher's law<br>- Structure of interest rates | |
| **Ten** | Monetary policy instruments and objectives<br>- introduction<br>- Objectives of monetary policy | |
| **Eleven** | - Evolution of monetary policy in Kenya<br>- Instruments of monetary policy<br>- Limitations of monetary policies in developing countries | |
| **twelve** | Kenya monetary systems<br>Institutions for international financial corporation | |
| **total** | | |

**Teaching Methodology:**

Lectures, class discussions and case analysis

**Assessments:**

Assignments 10%

Sit in cat 20%

Semester exams 70%

**Required Reading:**

1. Frederic S. Mishkin (2007): *Financial Markets and Institutions* fifth edition Pearson Educ, inc. and Darling Kindersley publishing.
2. Robert Mudida: Modern Economics
3. Mukras M.S(1987) *Elements of Mathematical Economics*(Nairobi: Kenya literature bureau
4. Powell R(1993), *Economics For Professional And Business Studies*, second edition.(London:Dp publications ltd

Signed: ______________________ ______________________________________

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# JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

## UNIVERSITY EXAMINATIONS 2013/2014

## 3th YEAR2nd SEMISTER EXAMINATIONS FOR THE

## DEGREE IN BACHELOR OF BUSINESS ADMINSTRATION

## KISII - LEARNING CENTRE

**COURSE CODE: AEC 313**

**TITLE: MONEY AND BANKING**

**INSTRUCTIONS**

1. **This paper contains five (5) questions.**
2. **Answer question one (compulsory) and any other 2 questions.**
3. **Write all answers in the booklet provided**

**Question one**

a) Outline the main causes of bank failures and the implications of such failures in the economy of the country. (10marks)
b) Explain the role of central bank in an economy. (10marks)
c) Keynes identified three reasons or motives why people hold money. Explain. (6marks)
d) Explain the concept of liquidity trap. (4marks)

**Question two**

a) Explain the three major functions of commercial banks in kenya. (12 marks)
b) Explain fisher's law. (3marks)

c) Briefly explain the role of the following financial institutions in the economic development of Kenya. (5marks)

i) K.I.E

ii) A.F.C

**Question three**

a) By use of relevant examples explain the ways in which central bank can control the supply of money and influence credit conditions. (10marks)

b) Critique the quantity theory of money. (10marks)

**Question four**

a) Explain the theories of quantity of money. (10marks)

b) Explain the three factors responsible for the rapid development of financial institutions in Kenya. (10marks)

**Question five**

a) Explain the determinants of interest rates in an economy. (10marks)

b) Differentiate between commercial banks and financial institutions. (10marks)