INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 2025

PROGRAMME: BBA
YEAR/SEM: YEAR 2/SEMESTER 2
COURSE CODE: FIN 2201
NAME: MONEY AND BANKING PRACTICE

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

SECTION A IS COMPULSORY

Question 1:

Equity bank has provided financial information below as at end of December 2022 and additional information for transactions of quarter on Jan to March in 2023.

Equity Bank information as at the end of December 2022	
Shareholders capita	20,000,000,000
Borrowings from the central bank	4,000,000,000
Treasury bills	2,000,000,000
Customer Fixed deposits	3,000,000,000
Savings deposit account	9,000,000,000
Current deposit account	2,000,000,000
Loans issued to customers	6,000,000,000
Retained earnings	2,000,000,000
Cars of value equal value	4,000,000,000
Additional information for transactions done during quarter one 2023 Jan to March	
Additional savings account deposit obtained	2,000,000,000
Savings account withdrawals	1,000,000,000
Current account withdrawals	500,000,000
75% of the loans were fully paid by the borrowers	
6% of the unpaid loans were written off	
Three motor vehicle were stolen and written off at acquisition value	

a) Prepare Equity Bank balance sheet as at 31st December 2022, (10 marks)

b) Prepare Equity Bank balance sheet with adjusted information as at end of quarter one 2023. (10 marks)

c) Distinguish between assets and liabilities of

d) With relevant examples, illustrate and explain the direct and indirect flow of funds through the financial system in Uganda. (15 marks)

Question 2:

KCB bank has provided financial information below as at end of December 2023 and additional information for transactions of quarter on Jan to March in 2024.

Equity Bank information as at the end of December 2023	
Shareholders capita	40,000,000,000
Borrowings from the central bank	4,000,000,000
Treasury bills	4,000,000,000
Customer Fixed deposits	6,000,000,000
Savings deposit account	18,000,000,000
Current deposit account	4,000,000,000
Loans issued to customers	8,000,000,000
Retained earnings	4,000,000,000
Cars of value equal value	8,000,000,000

Additional information for transactions done during quarter one 2024 Jan to March	
Additional savings account deposit obtained	4,000,000,000
Savings account withdrawals	2,000,000,000
Current account withdrawals	600,000,000
85% of the loans were fully paid by the borrowers	
5% of the unpaid loans were written off	
Three motor vehicle were stolen and written off at acquisition value	

a) Prepare Equity Bank balance sheet as at 31st December 2023, **(10 marks)**

b) Prepare Equity Bank balance sheet with adjusted information as at end of quarter one2024. **(10 marks)**

C) How do the objectives of monetary policy differ across developed and developing economies, and what implications does this have for central bank strategies? **(10 marks)**

d) What are the risks associated with prolonged use of unconventional monetary tools like quantitative easing

and negative interest rates. **(10 marks)**

SECTION B

ANSWER ANY THREE QUESTIONS IN SECTION B

Question 1:

a) Discuss the CAMELS model frame work as applied in bank supervision by the regulator to rate, analyze trends and evaluate performance of regulated financial institutions.
(10 Marks)

b) Discuss the traditional Balance sheet indicators that guide Banking sector regulator in identifying potential sources of problems in a Bank. **(10 marks)**

Question 2:

a) Explain the term central bank independence.
(5Marks)

b) Describe the various forms of central bank independence. (15Marks)

Question 3:

a) Assume that there are several individuals that are able and willing to borrow money from DFCU bank and the bank is willing to lend, DFCU bank shall operate with cash ratio of 20% and has initial deposit of Ugx 1,000. illustrate the credit creation process for DFCU bank. **(10Mark)**

b) Explain the challenges faced by Banks in the credit creation process in Uganda. (10Marks)

Question 4:

a) Calculate the total deposit created by stanbic bank from school fees deposits totaling UGX 100,000,000 on IUEA

account assuming the cash ratio is 10**%.**
(5marks)

b) Explain the credit creation process in banking terms.
(10Marks

Question 5:

a) a)Discuss the factors that impact the effectiveness of monetary policy in Uganda's real economy. **(10Marks)**

b) b) Describe the objectives of monetary objectives in your country's economy.
(10Marks)

Question 6:

a) With reference to any two theories of money demand, explain the motives for holding financial assets in cash form.
(10Marks)

b) Discuss the determinates of money supply in Uganda's economy. **(10 Marks)**

Question 7:

Suppose a firm borrows Shs. 100m at 3.7908 PVIFA to be repaid in the -next. *5* years. Equal installments are required at the end of each year and these payments must be sufficient to repay the principal sum together with -the interest.

Required

Draw up a loan amortization schedule to show how the loan would be repaid. **(20Marks)**

Question 8:

Discuss the different forms of bank liabilities and assets as reflected by the bank balance sheet.**(20Marks)**

Question 9:

a)Discuss the causes of banking crisis in the banking sector. **(10Marks)**

b)Explain the differences between banking and non-banking institutions. **(10Marks)**

Question 10:

Discuss the tools used by the central to determine the financial soundness of commercial banks in Uganda.
(20marks)

Question 11:

Using examples, explain the theirs of money demand and show factors that determine the demand for money. **(20marks)**

Question 12:

a)Using examples discuss the features of money in a real economy like Uganda**.(14Marks)**

b)Explain the differences between the monetary and barter trade systems.
(6Marks)