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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY  
UNIVERSITY EXAMINATIONS, 2020/2021 ACADEMIC YEAR  
THIRD YEAR, FIRST SEMESTER EXAMINATION  
FOR THE DEGREE OF BACHELOR OF BUSINESS INFORMATION TECHNOLOGY**

**KBA 2307 - INTERNATIONAL PAYMENTS**

Date: 11<sup>th</sup> December, 2020

Time: 8.30am – 10.30am

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Discuss the role of commercial Banks in international trade. (5 Marks)
- b) Differentiate between balance of trade and balance of payments. (5 Marks)
- c) Differentiate between a free market economy and a command economy. (5 Marks)
- d) Explain the theory of liquidity preference as proposed by John Maynard Keynes. (6 Marks)
- e) With the advent of e-business world commerce has totally changed. Discuss. (5 Marks)
- f) Discuss any two functions of money in commerce today. (4 Marks)

**QUESTION TWO (20 MARKS)**

- a) The new Governor of the Central Bank of Kenya chaired his first Monetary Policy Committee in the first week of July 2015. The committee raised the base lending rate as a means of correcting the loss of value of the Kenya Shilling against the US Dollar (the exchange rate had hit the “psychological” Shs100 mark a few days earlier). Discuss how the government controls money supply in a mixed economy. (12 Marks)
- b) Explain any four features of money that enable it perform its functions. (8 Marks)

**QUESTION THREE (20 MARKS)**

- a) Explain the concept of comparative advantage and absolute advantage in support of international trade. (10 Marks)
- b) Discuss the weaknesses of using the per capita income to compare peoples of different countries. (10 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Discuss the role of the IMF in the world economic order. (8 Marks)
- b) Discuss the case for protectionism in a developing country like Kenya. (12 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the concept of a free trade area. (8 Marks)
- b) Discuss any six general roles of financial intermediaries in an economy. (12 Marks)