



ASSOCIATESHIP EXAMINATION

LEVEL I

ECONOMICS IN BANKING

[OLD SYLLABUS]

APRIL 2025

N.B.

- 1. Read the instructions on the cover of the answer booklet carefully.**
- 2. Answer FIVE (5) questions only. EACH QUESTION CARRIES 20 MARKS.**
- 3. Time allowed: THREE HOURS**
- 4. Candidates must ensure that they answer questions in the appropriate answer booklet and NOT on loose sheets which are supplementary sheets. Such answers will not be marked.**
- 5. DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
- 6. DO NOT OPEN THIS QUESTION PAPER UNTIL YOU HAVE BEEN INSTRUCTED TO DO SO.**

ANSWER FIVE QUESTIONS ONLY

QUESTION 1

“Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.”

Use this statement to answer questions 1a and 1b

a) Why is Economics “a science”? (4 marks)

b) Explain why Economic laws are said to be inconsistent or not valid under all conditions. (4 marks)

c) Name any four (4) varieties of needs and wants of man. (4 marks)

Use the concept of Marginal Utility (MU) to answer questions d., e., and f.

d) What factor is proportional to price? (3 marks)

e) Under what condition is Marginal Utility zero? (3 marks)

f) As a result of poor weather conditions, the supply of maize falls. What will be the effect of this fall in maize supply on the Marginal Utility and Price of maize? (2 marks)

[Total: 20 marks]

QUESTION 2

a) Name any three (3) economic assumptions which are normally made while analyzing demand. (6 marks)

b) Name any three (3) reasons which normally induce a consumer to buy more units of a commodity as his income rises. (6 marks)

c) State any three (3) determinants of supply of maize. (6 marks)

d) Name any two (2) commodities whose supply is fairly inelastic. (2 marks)

[Total: 20 marks]

QUESTION 3

a) Name four items that could feature in the Marginal Cost of a retail bank. (4 marks)

b) Under what condition does Average Cost (AC) fall to its minimum? (4 marks)

c) State two (2) factors that cause market structures to differ in general respects. (4 marks)

d) Mention two (2) characteristics of Pure Monopoly. (4 marks)

e) Mention any two (2) effects of profit. (4 marks)

[Total: 20 marks]

QUESTION 4

- a) i. Define the term inflation. (2 marks)
ii. Mention two (2) causes of inflation in your country. (2 marks)
- b) State two (2) effects of deflation. (4 marks)
- c) Mention four (4) types of unemployment in your country. (4 marks)
- d) List two (2) reasons why the government from time to time fixes the National Minimum Wage rate. (4 marks)
- e) Who is described as an under-employed person? (4 marks)

[Total: 20 marks]

QUESTION 5

- a) Give two (2) reasons why nations engage in Foreign Trade. (4 marks)
- b) Absolute advantage in a given commodity is based on what factor? (4 marks)
- c) State three (3) reasons why problems arise in Foreign Trade. (6 marks)
- d) List three (3) positive effects of Foreign Trade. (6 marks)

[Total: 20 marks]

QUESTION 6

- a) i. Define the term “Financial Intermediaries”. (2 marks)
ii. Define the term “Bond”. (2 marks)
- b) State three (3) conditions under which the Central Bank could function effectively. (6 marks)
- c) State three (3) main sources of income for the Commercial Banks. (6 marks)
- d) What has forced the banks to adopt Universal Banking? (2 marks)
- e) A banking system can expand Money Supply by an amount equal to what? (2 marks)

[Total: 20 marks]

QUESTION 7

- a) Give three (3) main reasons why money is generally accepted. (6 marks)
- b) i. Define the term “money supply”. (2 marks)
ii) List two (2) reasons why people demand money. (4 marks)
- c) Mention three (3) conditions under which Credit Creation is possible. (6 marks)
- d) What factor serves as an incentive given to capital owners to surrender to investors the ownership of their capital for a period. (2 marks)

[Total: 20 marks]

QUESTION 8

- a) Identify and explain three (3) main aims of Fiscal Policy. (6 marks)
- b) State and explain six (6) economic effects of taxation. (12 marks)
- c) What is Value Added Tax (VAT)? (2 marks)

[Total: 20 marks]