

25



(Knowledge for Development)

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

SUPPLEMENTARY/SPECIAL EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 307

COURSE TITLE: MONETARY THEORY AND PRACTICE

DATE: 2/10/2018

TIME: 11.30 - 1.30 PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

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25

SECTION A

QUESTION ONE

- a) Briefly explain the likely effects of an expansionary monetary policy in an economy (8mks)
- b) Explain the limitations of credit creation by commercial banks (5mks)
- c) Explain reasons why an economic system is bound to have different interest rates (5mks)
- d) Explain the role of commercial bank in developing country (8mks)
- e) Differentiate between devaluation and depreciation of currency (4mks)

SECTION B

QUESTION TWO

- a) Explain the role of central bank and how it can influence the growth of a country's economy (12mks)
- b) Explain the advantages and disadvantages of paper money (8mks)

QUESTION THREE

- a) Compare and contrast classical theorists and Keynes Demand for Money (15mks)
- b) Explain functions of money in an economy (5mks)

QUESTION FOUR

- a) Explain advantages and disadvantages of paper money (5mks)
- b) Discuss the economic impact of increased money supply in an economy (15mks)

QUESTION FIVE

- a) Describe the role played by non- bank financial institutions in development (10mks)
- b) Describe instruments of monetary policy (10mks)