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(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF EDUCATION-ARTS

COURSE CODE: ECO 304

COURSE TITLE: MONEY AND BANKING

DATE: 06/08/2018 **TIME:** 2.00-4.00 P.M

INSTRUCTIONS TO CANDIDATES

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

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

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SECTION A (COMPULSORY)

QUESTION ONE

- a) What is velocity of circulation (2mks)
- b) How are changes on the value of money measured (5mks)
- c) Briefly explain various type of money stating their characteristics (10mks)
- d) Can inflation promote economic development? Explain (10mks)
- e) How does the role of money in capitalist economy differ from socialist economy (3mks)

SECTION B (CHOOSE ANY TWO QUESTIONS)

QUESTION TWO

‘the starting point of modern monetary theory is that money is inherently unstable’. Elucidate this statement and contrast it with classical analysis (20mks)

QUESTION THREE

- a) The transaction and precautionary demand for money is income determined but the speculative demand for money is income determining. Explain (10mks)
- b) Explain how bank rate and open market operation supplement each other as measures of credit control (10mks)

QUESTION FOUR

- a) Explain factors that limit credit creation (10mks)
- b) ‘money which is a source of so much blessings to mankind becomes also, unless we control it, a source of peril and confusion’. Discuss (10mks)

QUESTION FIVE

- a) ‘money is what money does’. Comment on this statement stating the functions of money (10ks)
- b) Discuss the changing roles of central bank in developing economy (10mks)