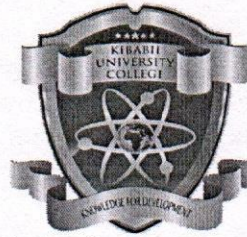


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(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF EDUCATION- ARTS

COURSE CODE: Eco 304

COURSE TITLE: MONEY AND BANKING

DATE: 12TH SEPT 2017 TIME: 11.30AM -1.30P.M

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 Hours

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KIBUCO observes ZERO tolerance to examination cheating

SECTION A (COMPULSORY)

Question one

- a) Explain clearly the role of commercial banking in developing economy (10mks)
- b) Distinguish between demand –pull inflation and cost –push inflation (5mks)
- c) Discuss the economic impact of increased money supply in the economy (10mks)
- d) Describe the monetarist view of the quantity theory of money (5mks)

Question two

- a) “The obvious object of monetary policy should be to attain equilibrium between saving and investment at the point of full employment”. Explain(10mks)
- b) Explain various credit control measures adopted by central bank of Kenya (10mks)

Question three

- a) “Techniques of monetary control used by central bank are complementary rather than competitive”. Discuss (15mks)
- b) What precaution should be taken by the bank while giving loans and advances to its customers (5mks)

Question four

- a) i. Explain causes of price inflation (5mks)
ii. “Inflation promotes economic development”. Explain (5mks)
- b) “Change in the value of money is not caused by change in quantity of money, rather a consequence in the change in the level of income”. Explain (10mks)

Question five

- a) Elucidate the income and expenditure approach in the explanations in the variations in the value of money (15mks)
- b) Explain factors that limit effective use of monetary policy in developing countries (5mks)