



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER EXAMINATION FOR BACHELOR OF SCIENCE IN MATHEMATICS AND ECONOMICS

BCE 200: ECONOMICS OF MONEY AND BANKING

DURATION: 2 HOURS

DATE: 15TH DECEMBER 2017

TIME: 9.00 - 11.00 A.M

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION ONE - COMPULSORY

QUESTION ONE

- a) Identify three theories of money demand (5 Marks)
- b) Recall the evolution of money and banking (5 Marks)
- c) Describe the role of financial institution in an Economy (5 Marks)
- d) Indicate the relevance of the price level to an Economy (5 Marks)
- e) Analyze the theory of liquidity preference (10 marks)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO

- a) Explain three roles of money in an Exchange Economy (10 Marks)
- b) Outline three arguments that underlie the quantity theory of Money (10 Marks)

QUESTION THREE

- a) Discuss the problems associated with international payment (10 Marks)
- b) Explain three determinants of money supply (10 Marks)

QUESTION FOUR

- a) Assess three factors that influence interest rates (10 marks)
- b) Explain three objectives of using monetary policy in an economy (10 Marks)