

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL

EXAMINATIONS FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE

ECON 345/341: ECONOMICS OF MONEY AND BANKING

STREAMS: BSC

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 03/02/2021

11.30 A.M. – 1.30 p.M.

INSTRUCTIONS: Answer Question One and any other Two Questions

QUESTION ONE

- a). Highlight the key objectives of monetary policy in Kenya (5 marks)
- b). Discuss the role of commercial banks in economic growth of Kenya (10 marks)
- c). What are capital markets? Discuss the importance in the money market (6 marks)
- d). Explain the main functions of money (4 marks)
- e). Monetary policy plays an important role in economic development. Discuss this statement with reference to the Kenyan economy (5 marks)

QUESTION TWO

- a). Critically examine the following theories of money demand
 - i. Irving Fisher's transactions approach (5 marks)
 - ii. Keynes liquidity preference theory (5 marks)
- b). Compare and contrast between commercial banks and non-bank financial institutions (10 marks)

QUESTION THREE

- a). Discuss the determinants of money supply in an economy (10 marks)

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b).Using relevant examples, outline the process of credit creation by commercial banks (10 marks)

QUESTION FOUR

a). Discuss the credit facilities available in the Kenya commercial banks (10 marks)

b).The following equations describe a certain economy

Required

a). Derive the IS and LM equations (4 marks)

b). Calculate the equilibrium national income, Consumption, Tax, import and investment (6 marks)
