

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF ECONOMICS

ECON 345: ECONOMICS OF MONEY AND BANKING

STREAMS: (ODEL)

TIME: 2 HOURS

DAY/DATE: MONDAY 14/04/2025

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS

- Answer question ONE and any other TWO
- Do not write anything on the question paper

QUESTION ONE (30 MARKS)

(a) Distinguish between:

- Commercial banks and non-bank financial intermediaries. (2 marks)
- Fiat money and commodity money. (2 marks)

(b) While Barter trade was a dependable form of trade in the pre-monetary period in Africa, it had many problems. Explain the desirable characteristics of modern money that makes it better than Barter trade system. (6 marks)

(c) State four financial intermediaries in Kenya (4 marks)

(d) Discuss the three motives for holding money according to Keynesian Theory of demand for Money. (6 marks)

(e) Explain five major objectives of monetary policy. (10 marks)

QUESTION TWO (20 MARKS)

(a) Discuss the five roles of commercial banks in the economy. (10 marks)

(b) Describe five different types of money. (10 marks)

QUESTION THREE (20 MARKS)

- (a) What is credit creation? Discuss the limitations of the process of credit creation (10 marks)
- (b) Discuss the instruments used to control money supply by the Central Bank of Kenya. (10 marks)

QUESTION FOUR (20MARKS)

- (a) Discuss the evolution of money to its current status today. (10 marks)
 - (b) Using the classical quantity theory of money, explain the determinants of money demand. (10 marks)
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