



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

THIRD YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS

EAE 310: ECONOMICS OF MONEY AND BANKING

DATE: 22/1/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer question one and any other two questions. Question one carries 30 marks and the other questions carry 20 marks each.

QUESTION ONE (Compulsory 30 Marks)

- a) Discuss factors that Determine the Money Multiplier and the magnitude of their effect (10 marks)
- b) Discuss the evolution of money (10 marks)
- c) Differentiate between the contractionary and expansionary fiscal policy. (10 marks)

QUESTION TWO (20 Marks)

- a) Compare and contrast Keynesian and Freidman theories of money demand (10 marks)
- b) Discuss the functions and roles of Commercial banks in the economy (10 marks)

QUESTION THREE (20 Marks)

- a) Discuss what OMO means in economics of money and banking while highlighting some of its limitations (12 marks)
- b) Discuss the three motives used by Keynes in his Keynesian theory (8 marks)

QUESTION FOUR (20 Marks)

- a) Explain the primary and secondary functions of money (8 marks)
- b) With aid of graphs discuss how interest rates and money supply is used by central bank to control how the economy performs (12 marks)

QUESTION FIVE (20 Marks)

- a) Explain the attributes that any commodity should possess in order to serve as a medium of exchange (10 marks)
- b) Discuss the importance of non-bank financial institutions in economic growth and development process of a country (10 marks)