**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2017/2018**

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRIBUSINESS ECONOMICS/BACHELOR OF SCIENCE IN FOOD INDUSTRY MANAGEMENT**

**AFI 2303: MONEY AND BANKING**

**DATE: JANUARY 2018 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**Question one (30 marks)**

1. Differentiate between real money and representative money. (4 marks)
2. Highlight the advantages of paper money. (6 marks)
3. Discuss the concepts of liquid trap. Illustrate this with a diagram. (4 marks)
4. Give reasons why gold standard failed. (6 marks)
5. Explain the objectives of monetary policy. (7 marks)
6. Keynes identifies three reasons or motives why people hold wealth as money rather than as interest bearing securities. What are these motives? (3 marks)

**Question two (20 marks)**

1. Discuss the function of Non- Banking financial institutions in the Kenyan economy. (12 marks)
2. Describe the various measurements of money supply in the economy. (8 marks)

**Question three (20 marks)**

1. Discuss the role of the central bank and how it may influence the performance of the county’s economy. (10 marks)
2. Explain any five (5) instruments of the monetary policy used to control credit by the central Bank. (10 marks)

**Question four (20 marks)**

1. Limitations of barter trade lead to the development of money. Discuss the limitations of this type of trade. (12 marks)
2. Explain four (4) reasons why gold standard is not an answer to payment mechanism in most economies. (8 marks)

**Question five (20 marks)**

1. The fundamental objects of the fiscal policy are to find revenue for the government to finance its growing expenditure. Discuss the limitations of the fiscal policy. (12 marks)
2. Differentiate between: (8 marks)
3. Convertible paper money and inconvertible paper money.
4. Devaluation and depreciation of currency.