



# **UNIVERSITY OF KABIANGA**

## **UNIVERSITY EXAMINATIONS 2017/2018 ACADEMIC YEAR FOURTH YEAR SECOND SEMESTER EXAMINATION**

### **FOR THE DEGREE OF BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: ECO 421**

**COURSE TITLE: MONETARY THEORY AND POLICY**

**DATE: 5<sup>TH</sup> JULY, 2018**

**TIME: 9.00 A.M - 12.00 NOON**

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### **INSTRUCTIONS TO CANDIDATES**

- SEE INSIDE

THIS PAPER CONSISTS OF (2) PRINTED PAGES

PLEASE TURN OVER

MAIN CAMPUS

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**UNIVERSITY OF KABIANGA**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**Department of Accounting, Finance and Economics**  
**Regular University Examination for 2017/2018 Academic Year**

**February 2018 Semester Examination for the degree of Bachelor of Arts In Economics**

**DATE: ...July 2018:                      ECO 421: Monetary Theory and Policy:                      Duration:    3 hours**

**NBI INSTRUCTIONS:**

- 1. Answer question 1 and any other 3 questions**
- 2. Write your registration number clearly, be neat, brief and show all your workings**
- 3. Facilitator rewards originality and innovative reasoning**

**Question 01**

**(A total of 40 marks)**

- i. Citing any six examples describe a modern central bank and their roles. **10 marks**
- ii. From 1913 to 1989 discuss the evolution of global central banking. **10 marks**
- iii. Over the past decade, there has been a trend towards increasing the independence of central banks as a way of improving long-term economic performance.

In respect to this statement discuss any 4 types of independence of a typical central bank. **10 marks**

- iv. The Central Bank has several instruments to use to counter changes in the market and influence price stability. Discuss any 5 of the instruments. **10 marks**

**Question 02**

Discuss the 4 cited criteria for a successful currency union. **10 marks**

**✓ Question 03**

- i. Give a critical view on Fractional-reserve banking. **6 marks**
- ii. Describe a full-reserve banking system. **4 marks**

**✓ Question 04**

Discuss any 5 determinants of the changes in interest rates. **10 marks**

**Question 05**

- i. Describe the role and legal status of the Kenyan Monetary Policy Committee. **4 marks**
- ii. Further describe the full membership of the Committee in question 5(i). **6 marks**