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**University Examinations 2014/2015**

THIRD YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

**BEC 3303 : MONEY AND BANKING**

**DATE: AUGUST, 2015 TIME: HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Give a brief history of the development of money. (5 Marks)
2. Discuss in details the functions of money. (5 Marks)
3. Outline the major differences between quantity and Keynesian liquidity preference theories of money demand. (8 Marks)
4. Discuss the Keynesian theory of money. (5 Marks)
5. Explain the role of commercial banks in the economy. (7 Marks)

Q**UESTION TWO (20 MARKS**)

1. State and explain the factors that determine interest rates. (10 Marks)
2. If the money supply in a given economy equals 1000 while the velocity and price equals 16 and 4 respectively.

Required:

Determine the level of real and nominal output. (5 Marks)

1. Discuss five measures that can be taken by the state to control inflation. (5 Marks)

**QUESTION THREE (20 MARKS)**

1. Explain the factors that have caused banking crisis in developing economics.(10 Marks)
2. Explain the role of central bank and how it may influence the performance of the country’s economy. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss the main limitations of credit control instruments in developing economy. (10 Marks)
2. Explain three monetary policy instruments used to control and regulate money supply in an economy. (10 Marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the monetary and fiscal policies can a government adopt to reduce inflation. (12 Marks)
2. Explain the following concepts:
3. Foreign exchange reserves (2 Marks)
4. Credit multiplier (2 Marks)
5. Balance of payment current account (2 Marks)
6. Liquidity trap (2 Marks)