



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2019/2020 ACADEMIC YEAR
MAIN EXAM

FOR THE DEGREE OF BACHELOR OF COMMERCE
COURSE CODE: BCF307

COURSE TITLE: MONETARY THEORY AND PRACTICE

DATE: 16/12/2019

TIME: 11.00 AM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

The paper consists of two pages Page 1 of 2

SECTION A COMPULSORY

QUESTION ONE

- a) Identify four limitations of barter trade that led to the development of money. (8 MKS)
- b) Discuss any four instruments of monetary policy used to control and regulate money supply by the central Bank. (8 MKS)
- c) Describe the monetarists view of the quantity theory of money (6 mks)
- d) Explain four reasons why the government opts for deficit financing to correct the budget deficit. (8 MKS)

SECTION B

QUESTION TWO

- a) Explain the factor that affect the supply and demand of foreign currency. (10 MKS)
- b) Highlight the major criticisms leveled against the rational expectations theory. (10 MKS)

QUESTION THREE

- a) With clear examples. Explain five effects of the transmission mechanisms of monetary policy on the economy and general price level (10 MKS)
- b) Discuss the success conditions of open market operations on the economies of the developing countries. (10 MKS)

QUESTION FOUR

- a) Explain the role played by the monetary authorities in the economies of Africa. (10 MKS)
- b) What is the current development in monetary policy that is shaping up the economies of the developing countries. (10 MKS)

QUESTION FIVE

- a) Briefly, discuss the limitations displayed by the policy of open market operation in the Kenyan Economy. (10 MKS)
- b) Explain five reasons that are associated with the collapse of the cash reserve ratio in regulations of African Economies. (10 MKS)