



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY - AUGUST 2023 SEMESTER**

### **DIPLOMA IN FINANCE**

**COURSE CODE: DBFI 011**

**COURSE TITLE: MONEY AND BANKING**

**DATE:**

**TIME:**

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#### **INSTRUCTIONS TO CANDIDATES**

- a) SECTION A IS **COMPULSORY**.
- b) SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
- c) **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
- d) ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** All exam rooms are under CCTV surveillance during the examination period.

## **SECTION A: COMPULSORY**

### **Question One**

- a) Discuss six ways in which the government securities promote the successful operations of a monetary policy **[12 marks]**
- b) Explain six roles of international monetary fund **[12 marks]**
- c) Discuss the disadvantages of the plastic money **[10 marks]**
- d) Explain the six policies that could be adopted to combat the problem of high levels of external debt in Kenya **[6 marks]**

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **Question Two**

- a) Discuss the demerits of flexible exchange **[8 marks]**
- b) Elaborate the Keynesian theory on determination of money demand in any economy **[12 marks]**
- e)

### **Question three**

- a) Money is divided into three major types according to their efficiency. Explain the three types of money. **[6 Marks]**
- b) Monetarists argue that an increase in money supply will have a direct effect on the demand for other assets Describe the four main limitations of the Monetarist theory. **[8 Marks]**
- c) The Central bank influences the activities of the government and the economy of a country. Discuss six functions of the Central bank. **[6 Marks]**

### **Question Four**

(a) Inflation is basically defined as the general rise of prices of goods and services. Explain any five ways that can be used to counter inflation. **[10 Marks]**

(b) Monetary policy is associated with interest rates and availability of credit. The policy uses instruments such as short-term interest rates and bank reserves through the monetary base. Discuss five objectives of monetary policy. **[10 Marks]**

#### **Question Five**

(a) The Kenyan financial system general trend is towards greater reliance on indirect instruments of monetary policy and other issues. Discuss any five issues or problems in the Kenyan financial system. **[10 Marks]**

(b) The demand and supply of foreign currency arises from traders of imported goods and services and of exported goods and services. Explain any five factors affecting interest rate in the goods sector **[10 Marks]**