



PIONEER INTERNATIONAL UNIVERSITY

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UNIVERSITY EXAMINATIONS

ACADEMIC YEAR: 2021/2022

UNIT NAME: MONEY AND BANKING

SEMESTER: SEP-DEC 2021

UNIT CODE: ACCT 3110

DATE: DEC 2021

TIME: 2 HOURS

Instructions: Answer SECTION A (Compulsory) and Any Other Two Questions

SECTION A 30 MARKS

QUESTION ONE [30 MARKS]

- Explain the factors that determine the rate of interest in an economy. (6 marks)
- From Keynesianism theory point of view, explain any three reasons why people demand money. (7 marks)
- Describe limitations of monetary policies in developing societies (7 marks)
- What do you understand by the term Barter system? Explain its advantages and disadvantages in the millennium economy. (6 marks)
- Discuss the effects of inflation on the functions of money (4 marks)

Section B Compulsory answer any one questions

QUESTION TWO[20 MARKS]

- Discuss four limitations of monetary theory of money? (8 marks)
- Identify any four instruments Central Bank uses as options of monetary control in the economy? (4 marks)
- What do you understand by the term quantity theory of money, briefly explain? (6 marks)
- Define what is fiat money? (2 marks)

QUESTION THREE[20 MARKS]

- Define what is a financial system? (4 marks)
- The Central Bank is entrusted with the responsibility of maintaining economic stability and financial soundness of a country, what are the objectives of the central bank of Kenya in the Kenyan economy? (6 marks)
- Discuss the limitations of credit creation in commercial banks (10 marks)

Section C Compulsory answer any questions

QUESTION FOUR [20 MARKS]

- a) Describe the monetarists' view of the quantity theory of money (6 marks)
- b) Give four limitations of the monetarists' theory of money (4 marks)
- c) Discuss the Keynesian Theory of demand for Money (6 marks)
- d) State the classical quantity theory of money (4 marks)

QUESTION FIVE [20 MARKS]

- a) What is a government budget deficit? (2 marks)
- b) What are the main causes of the huge budget deficit being experienced in most sub-Saharan African countries including Kenya? (8 marks)
- c) What are the major methods of financing budget deficits used by these countries? (4 marks)
- d) The impact of budget deficit on the economy of a country depends on the sources of financing the deficit. Explain the impact of the methods of financing deficits discussed above in (c) on the economy and the business sector in general (6 marks)

IMPORTANT NOTICE !!!!!!!!!!!!!

The following are the possible consequences if found guilty of an Examination Offence:

- a) Expulsion from the University.**
- b) Academic Leave.**