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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2019/2020 ACADEMIC YEAR TWO**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ECO 216**

**COURSE TITLE: ECONOMICS OF MONEY & BANKING**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 15/12/2020 TIME: 09.00-11.00 AM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Briefly explain the objectives of monetary policy. **[6 marks]**
2. Describe the characteristics of money. **[6 marks]**
3. Briefly discuss the theories of interest. **[6 marks]**
4. Explain the determinants of demand for money **[6 marks]**
5. Outline how money has solved the problem of barter system of exchange **[6 marks]**

**QUESTION TWO**

1. Give an outline of high powered money **[4 marks]**
2. Discuss the role of money in a modern economy. **[16 marks]**

**QUESTION THREE**

1. Explain Fisher’s quantity theory of money **[5 marks]**
2. Describe the instruments the government of Kenya uses through central bank to regulate the amount of money in supply **[15 marks]**

**QUESTION FOUR**

1. Outline some problems of international financial cooperation**. [4 marks]**
2. One of the main roles of the Kenyan Government is to ensure that run-away inflation and deflation are effectively controlled by the use of both expansionary and restrictive measures (policies) in order to bring about stability in the economy. Discuss. **[16 marks]**

**QUESTION FIVE**

1. Explain how interest rates are determined **[4 marks]**
2. Explain the determinants of money supply **[16 marks]**