



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
4TH YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
KISUMU CAMPUS**

COURSE CODE: ABA 416

COURSE TITLE: MONETARY THEORY AND POLICY

EXAM VENUE:

STREAM: (BBA-HRM)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE (Compulsory)

- i. Explain the determinants of money demand and supply; (15 marks)
- ii. Explain the functions of modern Central bank. (15 marks)

QUESTION TWO

Discuss some of the ways that central bank of Kenya can use to regulate the excess money supply in the economy. (20 marks)

QUESTION THREE

According to Irvin fisher, there is a direct relationship between money supply and the price level holding other factors constant. Citing the major assumptions and the weaknesses, describe the theory. (20 marks)

QUESTION FOUR

- i. Critically examine the three motives for holding money according to John Maynard Keynes (10 marks)
- ii. Suppose there is an inflationary tendency in an economy and the government wishes to correct it using open market operation, explain, with the use of IS-LM curve, how the equilibrium will be restored back. (10 marks)

QUESTION FIVE

Monetary standard refers to the monetary system of a country.

- i. Describe the various monetary standards; (10 marks)
- ii. List the qualities of a good monetary standard. (10 marks)

