



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE BACHELOR OF BUSINESS  
ADMINISTRATION**

**4<sup>TH</sup> YEAR 2<sup>ND</sup> SEMESTER 2024/2025 ACADEMIC YEAR**

**MAIN CAMPUS**

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**COURSE CODE: BEB 9406**

**COURSE TITLE: MONETARY THEORY AND POLICY**

**EXAM VENUE: LAB 6**

**DATE: 16/04/2025**

**EXAM SESSION: 15.00 – 17.00 PM**

**TIME: 2 HOURS**

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**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 booklets to the invigilator while in the examination room**

**QUESTION 1 (30 Marks)**

- a) Define money and explain its functions. (5 marks)
- b) Define and explain the role of Kenya Bank Reference Rate. (5 marks)
- c) Explain TWO advantages of Kenya Bank Reference Rate (KBBR) (2 marks)
- d) Briefly explain any THREE channels of monetary policy transmission? (6 marks)
- e) Identify and explain the money supply aggregate (7marks)
- f) List and explain 5 qualities of money. (5 marks)

**QUESTION TWO (20 Marks)**

- a) What is monetary policy? Explain four most significant objectives of monetary policy. (10 marks)
- b) Why is inflation undesirable? (4 marks)
- c) Differentiate between cost push and demand pull inflation (6 marks)

**QUESTION THREE (20 Marks)**

- a) Explain the functions of the central bank. (10 marks)
- b) What are the challenges facing central banks in implementing Monetary Policies? (10 marks)

**QUESTION FOUR (20 Marks)**

- a) List and Explain the Keynesian theory of money demand. (9 marks)
- b) Outline the historical development of money from barter trade to paper money. (6 marks)
- c) Explain FIVE consequences of having too little money in the economy. (5 marks)

**QUESTION FIVE (20 Marks)**

- a) Explain the role of Monetary Policy Committee (MPC) (4 marks)
- b) In the fiscal year 2022/ 2023, the government set the medium term target of inflation at 5%. However, the data collected indicated that the inflation rate was at a record high of 13%. What instrument should the MPC use to achieve the 5% inflation target? (6 marks)
- c) Discuss the economic impact of high and rising interest rates. (10 marks)