



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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UNIVERSITY EXAMINATIONS 2021/2022

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF COMMERCE

BEC 3303: MONEY AND BANKING

DATE: JANUARY 2022

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- a) Compare and contrast Keynesian and Fisher's theories of money demand (6marks)
- b) Discuss the factors that influence the velocity of money (4marks)
- c) Discuss the functions of commercial bank in an economy (8marks)
- d) Explain the qualitative effect of the demand for money of the following changes
 - i. A decrease in the general price level (4marks)
 - ii. An increase in the rate of return from holding bonds (4marks)
 - iii. An raise in the use of credit cards (4marks)

QUESTION TWO (20 MARKS)

- a) Explain the qualities that any commodity should possess in order to serve as a medium of exchange (6marks)
- b) Discuss the instruments used to control money supply in the economy (6marks)
- c) Discuss the evolution of money (8marks)

QUESTION THREE (20 MARKS)

- a) Discuss measures used to achieve Selective Credit control (6marks)
- b) Explain the players in the Money supply process (4marks)
- c) Discuss the limitations of Monetary policies in Developing Countries (10marks)

QUESTION FOUR (20 MARKS)

- a) Explain the functions of money in the economy (10marks)
- b) Explain the liquidity preference for money (4marks)
- c) Discuss the three motives used by Keynes in his Keynesian theory (6marks)

QUESTION FIVE (20 MARKS)

- a) Explain the relationship between money supply and inflation (10marks)
- b) Define the term equilibrium in the money market and discuss the effects of an increase in the money supply (10marks)