

TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTS AND FINANCE

UNIT CODE: BFI 4302 UNIT TITLE MONETARY THEORY AND APPLICATIONS

SERIES: FEBRUARY/MAY

TERM PAPER TWO

TIME: 2 HOURS

INSTRUCTIONS: ANSWER QUESTION 1 AND ANY OTHER TWO QUESTIONS

**QUESTION 1**

- a) Explain the three distinct functions, of money? (10Marks)
- b) What characteristics should an item have to qualify to be called money? (10Marks)
- c) Discuss the effects of inflation in a society cite examples in your discussion.(10Marks)

**QUESTION 2**

- a) How can a country overcome problems of falling foreign reserves.(Deficits) (10Marks)
- b) Discuss the limitations of using Monetary tools to control Credit by the Central Bank (10Marks)

**QUESTION 3**

- a) Write briefly on the Rational Expectation Theory. (10Marks)
- b) Discuss the Criticism of the rational expectations school. (10Marks)

**QUESTION 4**

- a) Write on The Economic Behaviorists. (10Marks)
- b) What relevance is there on these monetary theories? (10Marks)

**QUESTION 5**

- a) Discuss the objectives of demanding money as stipulated by Lord Keynes. (10 Marks)
- b) What is the role of Central Bank? (10 marks)