

**TECHNICAL UNIVERSITY OF MOMBASA**

**SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**UNIT CODE: BFI 4302 UNIT TITLE: MONETARY THEORY AND PRACTICE**

**SERIES: SEP/DEC**

**TERM PAPER ONE**

**TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY TWO QUESTIONS.**

**QUESTION 1**

- a) As the regulatory body, the Central Bank of Kenya introduced the capping of interest rates. Explain what is the capping of interest rate mean and list down some of the issues raised by the commercial banks of Kenya .( **10Marks**)
- b) Discuss the roles played by Central bank in the Development of Kenyan Economy **(10Marks)**
- c) Compare between the Monetarists and New Classicists arguments classical theory of money **(5Marks)**
- d) Discuss the criticism of Lord Keynes on Classical Theory **(5Marks)**

**QUESTION 2**

- a) Explain the implications of a central bank printing more money in the economy. **(10Marks)**
- b) Give possible measures a government can put in place to curb inflation in the country. **(10Marks)**

### **QUESTION 3**

- a) Discuss the characteristics of Money. **(10Money)**
- b) Discuss the Rational Expectation Theory **(10Marks)**

### **QUESTION 4**

- a) Discuss factors that affect the Rate of Exchange of a Country's Currency. **(10Marks)**
- b) Discuss the functions of Money **(10Marks)**

### **QUESTION 5**

- a) Discuss the debate between the economist Reverend Thomas Malthus (1766–1834) and the classical economists. **(10Marks)**
- b) With the help of graphs explain the classical Interest rate theory **(10Marks)**