



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2014 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CEC 311: MONETARY THEORY AND POLICY

Date: APRIL 2014

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Money gives meaning to our economic life but we hold different concepts of money. Discuss. **(10 marks)**
- b) How does savings and investment determine the value of money. **(10 marks)**
- c) Describe the importance of a monetary policy in a developing economy. **(10 marks)**
- Q2. a) Discussing the nature of money, outline the major functions of money. **(10 marks)**
- b) To what extent does Say's Law of markets on quantity of money confirm people's sole purpose of holding money. **(10 marks)**
- Q3. a) Give a brief insight into Kenya's monetary system. **(10 marks)**
- b) Highlight some of the characteristics of people's desire to hold money even when money does not yield interest income to its possessor. **(10 marks)**

- Q4. a) Changes in the price level depend upon the volume of expenditure in the economy. Elaborate. **(10 marks)**
- b) How does the use of government securities promote the successful operations of a monetary policy? **(10 marks)**

END