



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

P.O. Box 62157
00200 Nairobi - KENYA
Telephone: 891601-6
Fax: 254-20-891084
E-mail: academics@cuea.edu

AUGUST - DECEMBER 2016 TRIMESTER

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF SOCIAL SCIENCES

REGULAR PROGRAMME

SEC 402: MONETARY THEORY AND PRACTICE

Date: DECEMBER 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY other TWO Questions

- Q1. a) What is the importance of having a sound monetary policy for a country? Your discussion should focus on developing countries. **(10 marks)**
- b) Outline and clearly discuss the qualities of a good currency. **(10 marks)**
- c) Briefly explain what the role of Kenya monetary standard is. **(10 marks)**
- Q2. Write short notes on the following
- a) Monetary theory **(5 marks)**
 - b) Functions of money **(5 marks)**
 - c) Commodity money **(5 marks)**
 - d) Role of money to consumer **(5 marks)**
- Q3. a) Discuss Keynesian Quantity Theory of Money and show its superiority to the classical theory of money. **(10 marks)**
- b) "The importance of money essentially flows from its being a link between the present and future" (John Maynard and Keynes) Discuss fully this statement. **(10 marks)**
- Q4. a) Outline and explain the components of the supply of money. **(10 marks)**

- b) Compare Fisher's version with the Cambridge version of the quantity theory of money. Which one do you regard as superior and why?
(10 marks)

END