



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2015/2016

FOURTH YEAR SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH INFORMATION TECHNOLOGY

CITY CAMPUS - EVENING

AEC 416: MONETARY THEORY AND POLICY

Date: 27th April 2016

Time: 5.30 - 7.30 pm

INSTRUCTIONS:

- Answer question ONE and any other TWO questions.
- DO NOT write on the question paper.



SECTION A

- Q1(a) Explain the meaning of money according to Professor Friedman and his followers at the University of Chicago. (5 marks)
- (b) Distinguish between credit money and token money. (6 marks)
- (c) Critically discuss transaction demand for money. (8 marks)
- (d) Discuss the advantage of a monetary economy. (12 marks)

SECTION B

- Q2. With the help of output price and Quantity of Money "In circulation explain how Lord Keynes correlated money and the rate of interest". (20 marks)
- Q3.(a) Explain the meaning of high powered money. (3 marks)
- (b) Critically discuss the determinants of high powered money in Kenya. (17 marks)
- Q4.(a) By citing relevant examples explain the role of fiscal policy in developing Countries. (16 marks)
- (b) Examine the evolution of a monetary standard. (4 marks)
- Q5. With the help of IS-LM Model explain the interdependence of product market and money market. (20 marks)