



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**
SECOND SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 831

COURSE TITLE: MONETARY THEORY AND PRACTICE

EXAMINATION DURATION: 3 HOURS

DATE: 13/04/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has **SIX (6)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FIVE (5)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **TWO (2)** printed pages

please turn over



QUESTION ONE (COMPULSORY)

Assuming you have been appointed as the governor of the Central Bank of Kenya (CBK). As the manager of the apex bank, you have been required to convene a conference in which you will address the various commercial banks on innovation. What will be the key points in the conference [15 marks]

QUESTION TWO

- (a) Explain the difference between primary and secondary markets [3 marks]
- (b) Explain the difference between money markets and capital markets. What types of financial instruments are traded on each [12 marks]

QUESTION THREE

Monetary policy aim to stabilize the economy by promoting price stability and maximum sustainable employment. Discuss [15 marks]

QUESTION FOUR

- (a) Explain how the interest rate is determined [7.5 marks]
- (b) Discuss the role of interest rates in the financial markets [7.5 marks]

QUESTION FIVE

In Kenya, assets and liabilities of commercial banks matter as far as operations, existence of these banks is concerned, and therefore their (assets and liabilities) management is pivotal in determining their growth and progress. In view of this statement, discuss the various ways in which management of assets and liabilities of these banks is done. [15 marks]

QUESTION SIX

Write short notes on the following

- i. Debentures [5 marks]
- ii. Increase in money supply by the central bank. [5 marks]
- iii. Brokerage [5 marks]

