

UGANDA MARTYRS UNIVERSITY, LUBAGA CAMPUS

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ECONOMICS

BAM III SEMESTER TWO 2017/18

COURSE UNIT: MONEY, BANKING AND PUBLIC FINANCE

DATE: Friday, 11th May 2018

Time allowed: 9:30am- 12:30pm

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, question **one** is compulsory

QUESTION ONE (COMPULSORY 40 MARKS)

- a) With support of relevant examples and illustrations, explain the following financial terms and phrases;
- i. Barter Trade (4marks)
 - ii. Receipt Money (4marks)
 - iii. Fiat Money (4marks)
 - iv. Financial Intermediation (4marks)
 - v. Financial Inclusion (4marks)
 - vi. National Currency (4marks)
 - vii. Legal Tender (4marks)
 - viii. Money Laundering (4marks)
- b) What role do the commercial banks play in the development of an economy? (8marks)

QUESTION TWO

- a) Explain the 4 major functions of money? (4marks)
- b) State the characteristics of good money? (8marks)
- c) Explain the Quantity Theory on Money and how this is applied by Central Banks to manage macroeconomic stability? (8marks)

QUESTION THREE

- a) Explain the mandate of the Central Bank in Uganda? (10marks)
- b) What challenges does the Central Bank in Uganda encounter in establishing an effective Monetary Policy regime? (10marks)

QUESTION FOUR

- a) With reference to Uganda or any other country you are familiar with, explain the main causes of failure in the banking system? (10marks)
- b) Suggest ways of mitigating the risks in the banking sector? (10marks)

QUESTION FIVE

- a) Explain the common methodologies and systems the microfinance sector has innovated to comfortably offer banking services to the poor? (12marks)
- b) State and explain the Canons of public expenditure? **(8marks)**

QUESTION SIX

- a) In recent years, Uganda's public debt has been growing at a very a high rate. What negative consequence does this hold for the country? **(10marks)**
- b) Suggest the ways in which Uganda's 'alarming' Public debt position can be controlled and better managed? **(10marks)**