BACHELOR OF BUSINESS ADMINISTRATION YEAR THREE
SPECIAL/SUPPLIMENTARY EXAMINATION

MONEY, BANKING AND PUBLIC FINANCE

MONDAY 26th September 2022

1.   Read the instructions on the cover of the answer book and the question paper.

2.   The total number of questions in this paper is **SIX**. Attempt **FOUR** questions:

QUESTION ONE IS COMPULSORY   (25 marks)
ATTEMPT ANY OTHER THREE questions   (25 marks each)

3.   The number in brackets after each question, or part of a question, shows the marks allotted and candidates should apportion the time spent on each part accordingly.

4.   Silent, non-programmable calculators may be used in this examination. Whether you use it or not, you must show your calculations.

5.   **No books, papers or any other aids except writing materials may be used in this examination**.

6.   Time allowed: **THREE HOURS**.

Time: 9:30-12:30   PM

Question one:

[a] With illustration, clearly differentiate between Exogenous money supply and Endogenous money Supply [10marks]

[b] Taking examples from your surroundings, discuss any *fifteen* factors that hinder the access to financial services for the majority of people. **(15 marks)**

Question two:

Parliamentary committee that investigated the closure of seven Commercial banks in Uganda had recommended that in order to resolve the financial challenges in commercial banks, Bank of Uganda supervision roles should be suspended to avoid the risk of conflict of interest.

Using example of any two commercial banks that was closed, assess the role that can be played by Bank of Uganda in preventing future closure of such banks **(25marks)**

Question three

Using examples, discuss factors that influence the process of credit creation **(15 marks)** and factors which limit credit creation by commercial banks **(10 marks)**

Question four

Using practical example, Examine the factors that may affect the supply of money in an Economy. **[25 marks]**

Question five

(a) Given that a commercial bank maintains a uniform cash ratio of 0.5% and it receives a new deposit of Shs 1,000,000. Calculate the total credit created in the banking system over the next 5 borrowing times. **[10marks]**

(b) It has been realized that many Ugandans are in a financial crisis and it's alleged that this is because there is limited money in circulation. Using applicable examples, discuss how Bank of Uganda can averts this Crisis? **[15marks]**

Question six:

a] Using relevance examples, Discuss the Role of Monetary policy in Developing Economies **(15 marks)**

b] Examine the Limitations of monetary policy in Uganda today **(10marks)**

Question seven

[a] Analyze the evils that are associated with the barter trade system that led to the development of money **(8 marks)**

[b] Differentiate between transferability and portability qualities of good money **(4marks)**

[c] Explain the statement that 'paper money is only as good as its face value' **(3marks)**

[d]Explain the classical economist's theory of the demand for money as portrayed in Fisherman equation of exchange as opposed by Keynesian's demand for money **(10 marks)**