

# UGANDA MARTYRS UNIVERSITY

## NKOZI

### UNIVERSITY EXAMINATIONS END OF SEMESTER II EXAMINATION

ECO 3203 : MONEY, BANKING AND PUBLIC FINANCE/ MONETARY  
ECONOMICS

ACADEMIC YEAR 2021/2022 YEAR III

BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT

BACHELOR OF MICRO FINANCE

BACHELOR OF SCIENCE GENERAL

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ARTS/SCIENCE WITH EDUCATION

DATE: Thursday 14 July 2022

TIME: 02:00am – 04:00pm

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#### Instructions:

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1. Attempt any **FOUR (04)** questions
  2. All questions carry equal marks
  3. Do not write anything on the questions paper.
  4. Carefully read through ALL the questions before attempting.
  5. No **names** should be written anywhere on the examination booklet.
  6. Ensure your work is **clear** and **readable**. Untidy work shall be penalized.
  7. Any type of examination Malpractice will lead to automatic disqualification.
  8. Ensure that your **ID number** is indicated on all pages of the examination answer booklet.
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### QUESTION ONE

- a) Because there is imbalance of information in the lending situation, we must deal with the problems of adverse selection and moral hazard. Define these terms and explain how financial intermediaries can reduce these problems. (15 marks)
- b) Two major risks that banks face on a daily basis is liquidity risk and credit risk. Define these two risks and highlight how they can be managed. (10 marks)

### QUESTION TWO

- a) Explain the Keynesian theory of money demand clearly hinting the motives that determine the demand for money. (15 marks)
- b) Explain the determinants of money supply in an economy. (10 marks)

### QUESTION THREE

- a) Explain the role of the central bank in any economy. (15 marks)
- b) Examine the tools of monetary policy employed by the central bank to control the amount of money in circulation. (15 marks)

### QUESTION FOUR

- a) Examine the benefits of investing in government securities. (15 marks)
- b) Discuss the factors which shift the bond demand curve upwards. (10 marks)

### QUESTION FIVE

- a) Given a cash ratio of 10% and initial deposit of shs. 200,000. Determine
  - i) Bank deposit multiplier. (5 marks)
  - ii) Total deposits that will be created. (5 marks)
- b) Explain the factors that influence the process of credit creation in Uganda. (15 marks)

### QUESTION SIX

- a) Describe the assets and liabilities of a commercial bank. (15 marks)
- b) Examine the roles of the commercial banks to an economy. (10 marks)

END