

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

MONEY AND BANKING BS244

DURATION: 3 HOURS

 **JUN 2023**

INSTRUCTIONS TO CANDIDATES

1. Answer any **four** questions.
2. Answer each question on a fresh page.
3. No cell phones are allowed in the examination room.

QUESTION ONE

- a) Explain the term money multiplier. (4)
- b) Explain and illustrate the money creation process. (5)
- c) List and explain assumptions of the money creation model. (8)
- d) Explain the conditions necessary for effective credit creation. (8)

**[25
MARKS]**

QUESTION TWO (25 marks)

- a) Explain any **five** licencing requirements for financial institutions that are considered by the Reserve Bank of Zimbabwe. (10)
- b) Identify and explain four major sources of funds for depository institutions in Zimbabwe. (8)
- c) Discuss the relevance of asset liability management and its importance in the banking sector. (7)

**[25
MARKS]**

QUESTION THREE (25 Marks)

- a) Identify and explain the three key players that influence money supply in the economy.

(9)

- b) Evaluate the effectiveness of any three monetary policy instruments that have been used by the Reserve Bank of Zimbabwe to influence money supply in the recent past.

(16)

[25

MARKS]

QUESTION FOUR

- a) Explain why the Reserve Bank of Zimbabwe is laying emphasis on the need for banks to have a strong capital base.

(10)

- (b) Discuss the impact of advances in information technology (IT) on the financial system in Zimbabwe.

(15)

[25

MARKS]

QUESTION FIVE

- a) Discuss the main functions of money in an economy. (8)

- b) Describe five characteristics of money which enable it to efficiently perform its Functions.

(10)

- c) From b) above discuss the instances where the local currency falls short. (7)

[25

MARKS]

QUESTION SIX

- a) Distinguish banking institutions and non-banking financial institutions.

(5)

- b) Explain any four sources of funds for commercial banks in Zimbabwe.

(8)

- c) Explain why banks are regulated more than any other sectors in the economy.

(12)