MUNHUMUTAPA SCHOOL OF COMMERCE

DEPARTMENT OF ECONOMICS

BACHELOR OF COMMERCE DEGREE

LEVEL 2 SEMESTER 2

EXAMINATION QUESTION PAPER

MODULE CODE	HEF 221
MODULE NARRATION	Monetary Economics
DATE	2024
DURATION	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer any four questions
2. All questions carry equal marks
3. Start each answer on a fresh page
4. Show all workings, where applicable

QUESTION 1

(a) Assess the importance of monetary Economics in the current local macroeconomic environment [10 marks]

(b) Different schools of thought viewed the evolution of money differently. Distinguish between the Keynesian and the Monetarist view of money. [15marks]

QUESTION 2

(a) Explain the following terms:

- (i) Near money [4 marks]
- (ii) Fiat money [4 marks]
- (iii) Commodity money [4 marks]

(b) Describe how inflation has affected any three functions of money. [13 marks]

QUESTION 3

(a) Using an example discuss fully how banks create money [12 marks]

(b) In an economy, money supply can be determined endogenously and exogenously. Discuss how monetary policy should respond in each way [13 marks]

QUESTION 4

Delayed and proactive monetary policy have continued to face criticism of the government in this day and era. How effective is the monetary policy in maintaining the value of the currency in Zimbabwe.

QUESTION 5

Despite the prediction of the EL-NINO, Zimbabwe is yet to declare the situation as a state of disaster. The National Development Strategy recognizes the maintaining of the macroeconomic stability which is a prerequisite for sustained and inclusive growth. Discuss how the following can help achieve the targets of NDS1.

a) Currency and price stability [10 marks]
b) Exchange rate management [5 marks]
c) Foreign reserves build up [10 marks]