

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BANKING

BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING

MONEY AND BANKING

CBA 2102

FINAL EXAMINATION

JANUARY 2004

INSTRUCTIONS TO CANDIDATES

- (i) Time : 3 hours.
 - (ii) Answer **FIVE** questions only
 - (iii) Each question carries 20 marks
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QUESTION 1

Compare and contrast the mechanistic model of money supply determination with the Behavioural Model. How good are these theories in explaining the determination of money supply in any economy like Zimbabwe? **[20]**

QUESTION 2

Using diagrams where appropriate distinguish between neutrality and non-neutrality of money. How do the Irving Fisher's and the Keynesian models explain these roles? **[20]**

QUESTION 3

What are Unit trusts? State and explain clearly the various characteristics and advantages of Unit trusts. Discuss two examples of Unit trusts offered by any financial institutions in Zimbabwe which can help an investor seeking higher returns and to protect himself from spiralling inflation. **[20]**

QUESTION 4

Critically examine the role played by Microfinance Institutions in Zimbabwe. **[20]**

QUESTION 5

- (a) Discuss clearly five roles of financial markets.
- (b) Distinguish between capital and money markets.
- (c) Categorise and discuss the following assets into Money or Capital markets instruments:
 - (i) Bankers' Acceptance
 - (ii) National Certificates of Deposits (NCDs)

QUESTION 5 [CONT...]

- (iii) Bills of Exchange
- (iv) Preference shares
- (v) Convertible bonds

[20]

QUESTION 6

Why is bank liquidity so important in regulating bank failures? Discuss the three common methods used to measure bank liquidity in any financial institution.

[20]

END OF EXAMINATION PAPER