

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BANKING

MONEY AND BANKING

CBA 2102

FINAL EXAMINATION

JANUARY 2008

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

This paper contains SIX (6) questions.

Answer any 4 questions

All Questions carry [25] Marks each

Start the answer to each full question on a fresh page.

Indicate on your answer booklet whether you are in the conventional or parallel programme.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The businesses in this question paper are intended to be fictitious.

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[Turn over]

Question 1

Given the following information.

Total deposits	\$200,000
Initial deposits	\$ 10,000

- a) Calculate the reserve ratio requirement assuming that the full credit creation capacity has been utilized. **[3 Marks]**
- b) Calculate the credit creation multiplier. **[4 Marks]**
- c) Illustrate the credit creation process. **[5 Marks]**
- d) Discuss at least four (4) necessary conditions for effective credit creation. **[8 Marks]**
- e) List and explain five (5) assumptions of the credit creation model. **[5 marks]**

TOTAL 25 MARKS]

QUESTION 2

Discuss the aims, techniques and the effectiveness of the monetary policy in Zimbabwe. **[TOTAL 25 MARKS]**

QUESTION 3

Discuss four {4} key functions of the Reserve Bank of Zimbabwe, clearly highlighting the problems and challenges it faces in carrying out such tasks.

[TOTAL 25 MARKS]

QUESTION 4

- (a) Why is the Reserve Bank of Zimbabwe laying emphasis on the need for banks to have a strong capital base? **[10 Marks]**
- (b) Discuss the impact of advances in information technology (IT) on the financial system in Zimbabwe. **[15 Marks]**

[TOTAL 25 MARKS]

QUESTION 5.

Examine why there is need to regulate the financial system in Zimbabwe.

[TOTAL 25 MARKS]

QUESTION 6

Explain functions of the following Financial Institutions:

- | | | |
|-----|----------------------------|-----------|
| (a) | Reserve Bank of Zimbabwe | [5 Marks] |
| (b) | Commercial Banks | [5 Marks] |
| (c) | Finance Houses | [5 Marks] |
| (d) | Micro Finance Institutions | [5 Marks] |
| (e) | Zimbabwe Development Bank | [5 Marks] |

[TOTAL 25 MARKS]

END OF EXAMINATION