

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BANKING**

**MONEY AND BANKING**

**CBA 2102**

**SUPPLEMENTARY EXAMINATION**

**AUGUST 2008**

**TIME: 3 HOURS**

**INSTRUCTIONS TO CANDIDATES**

**This paper contains SIX (6) questions.**

**Answer any FOUR (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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**This paper consists of 3 printed pages**

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**[Turn over]**

### **QUESTION 1**

Critically evaluate the role of the Reserve Bank of Zimbabwe as a regulator and supervisor of the banking sector. In your own view, what factors limit the RBZ in its operations?

**[TOTAL 25 MARKS]**

### **QUESTION 2**

Why is it important for banks to have a strong capital base?

**[TOTAL 25 MARKS]**

### **QUESTION 3**

In your view, why should commercial banks be subjected under more rigorous controls and regulations than a shoe manufacturing company? Comment on the adequacy of such measures in the context of Zimbabwe?

**[TOTAL 25 MARKS]**

### **QUESTION 4**

- (a) Explain and illustrate the credit creation process. **[5 Marks]**
- (b) What is meant by the term bank multiplier. **[4 Marks]**
- (c) List and explain assumptions of the credit creation model. **[8 Marks]**
- (d) List and explain four (4) conditions necessary for effective credit creation. **[8 Marks]**

**[TOTAL 25 MARKS]**

### **QUESTION 5**

- (a) Explain in detail the causes of year 2004 banking sector crisis in Zimbabwe. **[15 Marks]**
- (b) To what extent do you think responsible authorities have managed to ensure future banking sector stability in Zimbabwe? **[10 Marks]**

**[TOTAL 25 MARKS]**

### **QUESTION 6**

Explain the functions of the following in brief:

- (a) Merchant Banks [5 Marks]
- (b) Commercial Banks [5 Marks]
- (c) Zimbabwe Stock Exchange [5 Marks]
- (d) Micro Finance Institutions [5 Marks]
- (e) The Reserve Bank of Zimbabwe [5 Marks]

**[TOTAL 25 MARKS]**