



**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE**

**NMAC207/NMEC205: MONEY AND BANKING/CAPITAL MARKETS**

**END OF SEMESTER EXAMINATIONS**

**NOVEMBER 2021**

**LECTURER: MR. GABRIEL MUZAH**

**DURATION: 5 HOURS**

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### **INSTRUCTIONS**

- Answer one question
  - We are interested in your own thoughts and writing in response to the questions in the exam.
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### **Question 1**

- a) With the aid of a diagram showing the flow of funds through the financial system can you compare and contrast direct and indirect finance? **[20 Marks]**
- b) Discuss in detail how financial intermediaries deal with the information asymmetry problem? **[20 Marks]**
- c) How does regulation increase information to investors? **[10 Marks]**

### **Question 2**

Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Instead of being physical money that is carried around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database that describe specific transactions. When you transfer cryptocurrency funds, the transactions are recorded in a public ledger. You store your cryptocurrency in a digital wallet.

- a) Your Lecturer, Mr. Gabriel Muzah has US\$ 1000 to spare and wishes to invest in these cryptocurrencies. Can you describe a specific cryptocurrency that you know highlighting the risks and benefits of investing in this coin? **[40 Marks]**
- b) How many coins can he buy with the US\$ 1000 he has, and can you forecast on the near future performance of this crypto basing on its drivers of value? **[10 Marks]**

### **Question 3**

‘The coinage throughout the centuries has also provided great insight into the economic history of humankind. The coinage itself has left behind a detailed record of man’s accomplishments as well as his trials and tribulations. There is no better record of inflation than that provided by the monetary history of the world and its legacy continues into modern time’.

With references to a specific country, can you discuss how its coinage/notes through the ages has illuminated not merely the past, but continues to provide the footpath to the future?

**[50 Marks]**

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**END OF EXAMINATION**