



**REFORMED CHURCH UNIVERSITY**

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**FACULTY OF COMMERCE**

**BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING &  
FINANCE**

**MONEY & BANKING**

**HBAF 201**

**PART 2 SEMESTER 1**

**Total Marks [100]**

**DATE: OCTOBER 2024**

**Time: 3 Hours**

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**INSTRUCTIONS**

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other **three (3)**
3. Each question carries **25 marks**
4. Start each question on a new page

1. Discuss the evolution of money and the payment system. (25)
2. Explain 5 principles of effective banking management. (25)
3. Explain the functions and responsibilities of the central bank (RBZ) in the Zimbabwean economy. (25)
4. Evaluate the behaviour of interest rates and how interest rates affect inflation. (25)
5. In March 2020, to prevent economic recession, the Fed dropped the Federal Funds Rate (FFR) to nearly zero. Discuss how will it affects the real economy according to the related theories. (25)
6. a). Explain the liquidity theory. (5)  
b) According to the liquidity premium theory, if 1-year interest rates for the next five years are expected to be 4, 2, 5, 4, and 5 percent, the 5-year bond rate is 5 percent. Calculate the liquidity premium for a 5-year bond. (10)  
c). Calculate the current price of a coupon bond with a \$1000 face value, coupon rate is 10%, the time to maturity is 2 years, and the yield to maturity is 8%. (10)

**END OF PAPER**