



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_1 EXAMINATION**

COURSE TITLE: MONETARY THEORY AND POLICY

COURSE CODE: ECO 343

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER QUESTION ONE (1) AND ANY OTHER THREE (3) QUESTIONS.

QUESTION ONE

- a) Define the concept of monetary policy and discuss the trade-off in monetary policy implementation. **(9 marks)**
- b) Explain the instruments of monetary policy that can be used by the Central Bank of Nigeria (CBN) to regulate the economy. **(8 marks)**
- c) Using a graphical illustration, discuss the cash transaction approach of Fisher's quantity theory of money. **(8 marks)**

QUESTION TWO

Distinguish between expansionary monetary policy and restrictive or (contractionary) monetary policy. **(15 marks)**

QUESTION THREE

- a) What is the meaning of value of money?
- b) Differentiate between the internal and external value of money. **(15 marks)**

QUESTION FOUR

Explain the concept of money supply and discuss the four measurements of money supply in Nigeria. **(15 marks)**

QUESTION FIVE

Distinguish between the Classical approach of demand for money and the Keynesian approach of demand for money. **(15 marks)**