



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS  
2020\_1 EXAMINATION**

**COURSE TITLE: MONEY AND BANKING  
COURSE CODE: ECO 444  
CREDIT UNITS: 2  
TIME ALLOWED: 2 HOURS**

**INSTRUCTION: Answer question ONE and any other Two questions**

**QUESTION ONE**

- (a)  $C = 102 + 0.7Y$ ,  $I = 150 - 100r$ ,  $M_s = 300$ ,  $L = 0.25Y + 124 - 200r$ . Find (a) the equilibrium level of income and the equilibrium rate of interest, and (b) the level of  $C$ ,  $I$ , and  $L$  when the economy is in equilibrium. **(22.5 marks)**
- (b) State the factors that determine Money Supply in the economy. **(7.5 marks)**

**QUESTION TWO**

- (a) The Classical economist which has Irving Fisher and the Cambridge School has slightly different views on the demand for money theory discuss. **(8 marks)**
- (b) Lord Keynes in his theory of demand for money suggested three motives to demand for money **(4.5 marks)**
- (c) Explain the advantages in adopting flexible exchange rate system **(7.5 marks)**

**QUESTION THREE**

- (a) Describe the five different forms of wealth in Friedman Milton theory of demand for money **(10 marks)**
- (b) State five importance of credit to the economy. **(5 marks)**
- (c) State five Roles of Non-Financial Institutions **(5 marks)**

#### QUESTION FOUR

- (a) Discuss any three functions of a Merchant Bank. **(6 marks)**
- (b) State five ways in which Discount Houses can raise funds. **(7.5 marks)**
- (c) State Five Consequences of the Factors Militating Against Capital Market in Nigeria **(7.5 marks)**

#### QUESTION FIVE

- (a) Discuss the following Eras of the Evolution of Money
  - i. The Era of Spherical Adventure (Anomalism) **(4.5 marks)**
  - ii. The Era of Subsistence (Autarky or No Exchange) **(4 marks)**
  - iii. The Era of Barter System (Direct Exchange) **(4 marks)**
- (b) Discuss the Three (3) Secondary Function of Money **(7.5 marks)**