



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_2 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) Enumerate and explain the goal of Central Bank of Nigeria's (CBN) monetary policy.
(10 marks)
- b) What are the main targets of monetary policy of Central Bank of Nigeria
(5 marks)
- c) Briefly discuss the type of lags in monetary policy implementation.
(10 marks)

QUESTION TWO

Explain the superiority of Cambridge cash balances approach over Fisher's transaction approach of money.

(15 marks)

QUESTION THREE

Using a graphical illustration, explain the Keynes reformulated quantity theory of money.

(15 marks)

QUESTION FOUR

- a) List and explain the determinants of supply of money in Nigeria
(8 marks)
- b) State the assumption underlying the ability of commercial banks to create money.
(7 marks)

QUESTION FIVE

Explain each of the following concepts.

- i. Liquidity trap
- ii. The total demand for money
- iii. Tobin's liquidity preference function

(15 marks)