



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
DEPARTMENT OF ECONOMICS  
FACULTY OF SOCIAL SCIENCES  
2021\_2 EXAMINATION**

**COURSE TITLE: MONEY AND BANKING**

**COURSE CODE: ECO 444**

**UNITS: 2**

**TIME ALLOWED: 2 HOURS**

**INSTRUCTION: ANSWER ANY THREE (3) QUESTIONS.**

- 1a). Briefly explain the medium of exchange function of money (**7 marks**)
- 1b). The process of money creation is premised on the principle of fractional reserve system which posits that a bank need not keep all the deposit in the vault as idle cash, but rather keep part as reserve and investment. Discuss (**16 marks**)
  
- 2a). With examples, explain the concept of non-bank financial institutions (**8 marks**)
- 2b). Identify the main sources of funding available to a merchant bank (**15 marks**)
  
- 3). Write short notes on the following:
  - a). Insurance company (**7 marks**)
  - b). Pension scheme (**7 marks**)
  - c). Traditional financial institutions (**9 marks**)
  
- 4a). If the derived LM function is given as  $2000r$  while the derived IS function is given as  $450 - 5000r$ . Use this information to estimate the interest rate and calculate income level. (**9 marks**)
- 4b). What are the monetary policy instruments used by the Central Bank of Nigeria to regulate money supply in the country? (**14 marks**)