NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2021_2 EXAMINATION

Course Code: MBF833   **Credit Unit: 3.**
Course Title: MONEY AND BANKING
Time Allowed: 2 AND HALF HOURS
Instructions:
               1. Attempt Question 1 and any other three (3) Questions.
               2. Question 1 is compulsory and carries 25 marks
                 while the other 3 Questions carry 15 marks each.
               3. Present all your points in a coherent and orderly manner.

1a. Stable price level does not necessarily mean fixed or frozen price level. What then is price stability? Adduce five (5) strong reasons in favour of price stability of any economy**. (15marks)**

1b. Discuss four contingency functions of money in a developing economy**. (10marks)**

2a. Barter system of exchange is the most inconvenient method of exchange with avalanche of shortcomings. Discuss five (5) of the major challenges. **(7.5marks)**
2b. Money performs different functions to different people and at different scenarios. Explain the dynamic function of money as an index of economic growth. **(7.5marks)**

3a. Economists are not in agreement on the question of definition of money supply. There are four(4) broad approaches of money supply, Discuss these approaches. **(8marks**)

3b. Transactions motives refer to the demand for money for bridging the gap between periodic receipts and payments. Lord Keynes further dichotomized the transactive motives into two. Clearly identity and discuss these two motives of holding money**. (7marks)**

4a. Various factors responsible for increase in aggregate demand for goods and services. State five of these factors responsible for the rise in aggregate demand in both developed and developing economies of the world. **(7.5marks)**

4b. The Central Bank of any economy is saddled with the responsibility of maintaining monetary and fiscal stability by selecting the appropriate monetary policy mix. Identify and explain five monetary policy objectives. **(7.5marks)**

5a. The various methods or instrument of credit control used by the Central Bank can broadly be classified into two categories. Justify the choice of Qualitative approach**. (7.5marks)**
5b. State five (5) functions of merchant banks in Nigeria, **(7.5marks)**