NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2017_2 EXAMINATION JANUARY/FEBRUARY 2018

COURSE TITLE: MONETARY THEORY AND POLICY
COURSE CODE: ECO 343
UNITS: 3
TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER ANY FOUR (4) QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

QUESTION 1

The demand for money function is given as $Md = 1.2Y – 150r$. Where income Y is million naira and interest rate 'r' is percentage.

a. Compute the demand for money when income (Y) is 10,000 million naira and the interest rate (r) is 12 percent.
b. Given that level of income remains equal to N10, 000 millions, if interest rate drops to 6 percent, how much does it affect demand for money?
c. If interest rate hikes to 18 percent, what will be the demand for money? **(17.5 Marks)**

QUESTION 2

Define monetary policy and discuss its major objectives in Nigeria. **(17.5 Marks)**

QUESTION 3

Discus the role of monetary policy in any developing economy. **(17.5 Marks)**

QUESTION 4

Enumerate the similarities between Fisher's transaction approach and the Cambridge Cash balances approach and discuss their differences. **(17.5 Marks)**

QUESTION 5

Define the term money supply and differentiate between high powered money and money multiplier. **(17.5 Marks)**

QUESTION 6

(a). Identify and discuss the determinants of money supply in Nigeria.

 (b). List and explain the Keynesian motive of holding money. **(17.5 Marks)**